



# **MANDENI MUNICIPALITY**

## **ANNUAL REPORT**

**2006/2007**

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## **ACKNOWLEDGEMENTS**

We sincerely honour and thank the contributions made by all stakeholders to make the publication of this report a success.

For more information or to obtain additional copies, contact the Municipal Manager's Office on  
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## **GLOSSARY**

### **ABBREVIATIONS AND ACRONYMS**

- AG- Auditor-General
- AIDS- Acquired Immune Deficiency Syndrome
- CLLR - Councillor
- CTO- Community Tourism Organisation
- DM – District Municipality
- DTLGA- Department of Local Government and Traditional Affairs
- EMP- Environmental Management Plan
- EXCO – Executive Committee
- GIS- Geographic Information System
- HIV – Human Immunodeficiency Virus
- IDP – Integrated Development Plan
- IT- Information Technology
- LED – Local Economic Development
- LM – Local Municipality
- MEC- Member of the Executive Council
- MM – Municipal Manager
- MPCC- Multi-Purpose Community Centre
- MSIG- Municipal Systems Improvement Grant
- PHP-People's Housing Process
- PMS – Performance Management System
- PSC- Project Steering Committee
- SALGA- South African Local Government Association
- SAPS- South African Police Services
- SARS- South Africa Revenue Services
- VAT- Value-Added Tax

## **MAYOR**

### **Mayor's Foreword**

Once again I am humbled and gratified by the opportunity to present to you our annual report for 2006/2007 financial year.

It is gratifying indeed that the municipality has maintained its stability and sustainability. We have seen in our area a lot of improvement in service delivery and appreciate constructive comments and appreciation mostly from our ratepayers who are able to see and appreciate changes that are taking place on the ground. Housing delivery is on track with Hlomendlini almost completing Phase 1 of 1000 housing projects and we are likely to see more housing projects with 1000 units each in the new financial year (2008/2009).

There is nothing more gratifying than that our new IDP has been exceptionally well done topping the list of local municipalities under Ilembe District and being rated number 5 in the KZN province. What is special about this IDP is that it has been done in-house by our own very officials without the help of consultants. We also appreciate the kind of public input that was received during our IDP, Budget, SDBIP and PMS public participation processes.

In conclusion I would like to thank all communities, business community, sector departments and all stakeholders who have contributed to the growth of Mandeni Municipality in one way or another.

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**CLLR B L MAGWAZA**

**HIS WORSHIP THE MAYOR**

## **MUNICIPAL MANAGER**

### **Municipal Manager's Foreword**

On behalf of Mandeni Municipality management and administration, I would like to express the words of gratitude for getting another valuable opportunity to present to you our 2006/2007 Annual Report.

The municipality has seen some significant changes in 2006/2007. These changes have been across the functions of the municipality and also services that are delivered to our people. The municipality has gathered momentum in the delivery of houses (integrated human settlement), roads and basic infrastructure. Public participation processes, as part of governance, have improved significantly with all 16 wards having fully functional ward committees. There has been improvement in the provision of amenities to our people. A very good IDP has been developed and communities have already shown signs of ownership.

Although we have had some achievements in certain areas, we still have a serious challenge in municipal financial viability. We urge our communities, business people and sector departments to support us in this regard by paying promptly what is owed to the municipality so that in return, services can be delivered. We would also appreciate investment in the area because this will not only enhance our revenue but will also contribute positively towards local economic development thus improving the social fibre of our people.

Once again I wish to thank political leadership, officials, businesses and the community at large for the support they have also shown to the Municipality.

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**DR. M. B. NGUBANE**  
**MUNICIPAL MANAGER**

## **CHAPTER 1**

### **OVERVIEW OF THE MUNICIPALITY**

#### **1.1 Geographic and demographic profile**

Mandeni Municipality is strategically located midway between Durban and Richards Bay, and lies on the development corridor on the North Coast between these two port cities. It is also located on the major railway and road transportation routes (N2), which link the two economic hubs of KwaZulu-Natal i.e. Richards Bay and Durban. This strategic location is acknowledged in the Provincial Spatial Framework which has identified Mandeni as the growth node in the North Coast corridor.

#### **1.2 Socio-economic profile**

The area of Mandeni Municipality has both the Sappi Paper Mill and the Isithebe Industrial Estate, which have created lots of job opportunities in the past. In addition, the municipal area includes substantial areas of commercial agriculture, with the bulk of these areas under sugar cane. The commercial agricultural sector also offers considerable scope for additional economic growth. The area enjoys high rainfall, good soils and proximity to transport infrastructure, including the proposed King Shaka Airport at La Mercy and Dube Tradeport. The area is therefore very well positioned to diversify into high value, lower mass niche products for export, such as flowers and high value vegetables. Department: Agricultural support, has been very important particularly to small scale farmers from previously disadvantaged communities with the intention to create opportunities for establishment of agricultural co-operatives.

#### **1.3 Environmental profile**

The municipal area has an extremely rich local natural environment. This is centred on the Tugela River valley, the Amatikulu River valley, and the full length of the still pristine coastal strip of approximately 30 kms in length. In addition, there are areas such as the Ndulinde Hills, and the landmark hills around the centre of Mandeni which form attractive backdrops to development in the area, and which must be handled with care. Our *Environmental Plan* shows the most important areas of special environmental concern, sourced from Nature Conservation Services including the nature reserves, namely the Amatikulu Nature Reserve, Harold Johnson Nature Reserve and the Ngwenya Nature Reserve.

## CHAPTER 2

### LEADERSHIP AND MANAGEMENT

#### 2.1. EXECUTIVE COMMITTEE AND OTHER COUNCIL MEMBERS

##### Executive Committee

Mayor and Chairman of the Executive Committee	: Cllr BL Magwaza
Deputy Mayor	: Cllr J Singh
Speaker (Ex Officio)	: Cllr ZP Makhoba
Members of the Executive Committee	: Cllr DM Shandu
	: Cllr BP Mgadi
	: Cllr N Reddy
	: Cllr DM Maphumulo

##### Other Councillors

Cllr GPS Busane	Cllr EL Dube	Cllr BA Khumalo
Cllr JE Luthuli	Cllr SV Manqe	Cllr M Mathonsi
Cllr MJ Mathonsi	Cllr NJ Mbusi	Cllr TV Mdletshe
Cllr MS Mdunge	Cllr PM Mthembu	Cllr PM Myeza
Cllr S Ndlovu	Cllr KC Ngcobo (Substituted SJ Zibane)	Cllr H Ngema
Cllr NF Ntuli	Cllr BT Nkabinde	Cllr JB Nzuza
Cllr SD Shenge	Cllr LR Shembe	Cllr JJ Vilakazi
Cllr JM Zondi	Cllr TJ Zondo	Cllr SB Zulu
Cllr GN Zungu		

#### 2.2. MANAGEMENT

##### Senior Management.

MB Ngubane – Municipal Manager	MJ Pearson - Chief Financial Officer
Vacant – Director: Community Services	NG Kumalo - Director: Corporate Services & LED
R Sewdular – Director: Technical Services	NN Mhlungu - Manager: Corporate Services
NG Mncwango - Manager: Community Services	W Doorasamy - Manager: Financial Services
S Khanyile – Manager: Integrated Development Planning	R Heslop – Head: Public Safety & Security



## **CHAPTER 3**

### **VISION AND MISSION**

#### **3.1 Vision**

We, the community, Amakhosi, Councillors and staff of Mandeni Municipality hereby resolve that our Municipality will strive for excellence in the effective and efficient management of its financial, human, capital and developmental resources.

- We shall strive to maximize opportunities for growth and development for all people in our community, as well as the natural resources within our Municipal area.
- We recognise that our economy is industrial and agricultural in its nature, and shall, therefore, strive to maximize opportunities for growth in the industrial and agricultural economies.
- We are proud of the history and heritage of our Municipal area and commit ourselves to the growth of our historical and heritage resources in the tourism economy.
- We will endeavour to minimise the spread of diseases such as HIV/AIDS, cholera, tuberculosis and others.
- In all our endeavours and efforts Mandeni shall be the best-run urban-rural Municipality in the province.

#### **3.2 Mission**

Our mission is to maximize social development, economic growth and human resources management through collective and self-less dedication to our calls and responsibilities, regardless of race, colour, creed, sex, and gender or political affiliation.

## **CHAPTER 4**

### **OVERVIEW OF MUNICIPAL PERFORMANCE**

#### **4.1 DEVELOPMENT PLANING / IDP DIVISION**

The Development Planning/ IDP division is directly linked to the Municipal Manager's office and is responsible for the two separate but interrelated functions of Development Planning as well as the Integrated Development Planning (IDP). The above mentioned division is new within the Municipality and the Manager IDP/Development Planning was appointed on 03 January 2006.

#### **THE DIVISION'S AREA OF FOCUS (IDP)**

- Day to day management of IDP and processes as involved
- Ensuring stakeholder representation and public participation
- Deciding on planning process
- Monitoring IDP process and implementation of development objective
- Overall management and coordination
- Day-to-day management of the process
- Oversee alignment and integration of activities

#### **SUCCESS OF THE 2006/07 IDP**

#### **PUBLIC PARTICIPATION**

The Municipality is confident that it has adequately embraced the provisions of the Municipal Systems Act No 32 of 2000 regarding community participation. Section 16 of the Act requires that a culture of community participation is developed, and Section 17 of the Act talks about mechanisms, processes and procedures for community participation.

The Mandeni Municipality used all the appropriate mechanisms and procedures to ensure that through the active participation of all the important stakeholders, and the involvement of community in the affairs of the Municipality decisions are made in a democratic and transparent manner. In the 2006/07 IDP Review, resources were used in empowering the structures such as, Municipal Sector Forums, Ward Committees, Councillors, Non-Governmental Organizations and Development Committee, together with key stakeholders, service providers and government departments. All these structures were notified and invited to participate in various IDP meetings, to ensure that community expertise and involvement can be focussed on delivery around IDP priority issues.

In addition, the publication notifying all interested and affected parties of the IDP Representative Forum meeting was placed in the local news paper and notice boards. The Representative Forum is the platform in which various stakeholders such as Business People, Rate Payers' Associations, Sector Departments are called to make representation to the IDP review.

## **SUCCESS IN THE IMPLEMENTATION OF THE IDP**

It should be noted that the 2002 base IDP recorded 58 priority projects such as adopted as the priority projects to be implemented by during the five year term. It can be recorded that almost 80 percent of the identified projects were already implemented and most have become operational.

The progress to date is to be noted and an analysis of this table shows progress out of 58 priority projects listed in the 2003 IDP Review document:

- 33 are completed and have become operational projects within the Municipality for which KPIs must be prepared as part of the PMS. (LA 1, 2, 3, 4, 5, 6, 7, 9, 10, 12, 13, 15, 16, 23, 24, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36, 37, 45, 48, 50, 51, 52, 55 and 58)
- 7 are 100% complete. (LA 14, 21, 25, 29, 38, 39 and 43)
- 9 are more than 50% complete, and are already underway, and due for completion within the current financial year. (LA 11, 19, 22, 44, 46, 47, 49, 53 and 57)
- 8 are underway but less than 50% completed, but all of these involve co-ordination with outside bodies, such as government departments and SAPS, and the Municipality has no control over response times. (LA 17, 18, 20, 40, 41, 42, 54 and 56)
- 1 project has been reallocated to the District Municipality due to a change in powers and functions. (LA 8 to DC 18)

This shows that considerable progress has been made in implementing the 2002 IDP.

The Performance Management System of the Municipality must now be amended to ensure that the priority issues which now become operational issues, are allocated to specific officials, with Key Performance Indicators, as part of Municipality's PMS..

This rate of progress formed the main issue discussed with the Representative Forum at the meeting held on 24 February 2006. There was consensus that this is a fair reflection of the progress made by this Municipality in addressing the priority issues agreed with the community of Mandeni in 2002.

## **PRIORITIES FOR IDP 2007/2005**

- To continue implementing the IDP priorities projects.
- To strengthen the effective local and district relationship.
- To continue sourcing funding for projects.
- To continue encouraging the involvement of local communities to matters of the Municipality.

## **CHALLENGES FOR THE 2006/07 FINANCIAL YEAR**

- Human Capacity (Low Capacity) is the biggest challenge faced by the Development Planning department since it is new within the Municipality and was developed as part of the program from the Department of Local Government and Traditional Affairs.
- Backlogs in service delivery (Infrastructure Development) the Municipality is far behind in terms of service delivery, the three main issues are Water, Electricity & Roads.
- Community buy-in i.e. due to previous experience the local community has lost confidence and hope in the municipality and as a result of that they do not want to effectively participate in matters of local government.
- Public Awareness i.e. the local community does not have the knowledge about the concept of IDP as a result of that they don't play their role in this regard.
- Effective and continuous public participation.

## **THE DIVISION OF DEVELOPMENT PLANNING**

The Development Planning Department is responsible for:

- Managing the overall Municipal Planning, statutory planning and spatial-related matters
- Ensuring that the Municipality is abreast with the legislation and policies pertaining to development planning, land use management and environment
- Assessing Land Development applications against specific legislation, policies, SDF and the Land Use Controls
- Assessing compliance with specific town planning regulations and related legislation and/ or input from internal/ external commentators.
- Undertaking need and desirability assessments, site inspections and investigating the development history of sites.
- Compiling appropriate regulations and conditions of approval for specific applications.
- Interacting with the Appeals Board in respect of specific applications, making available information and guidelines in determining the outcome of the application

## **SUCCESS OF THE 2006/07 IDP**

### **LAND USE MANAGEMENT SYSTEM (LUMS)**

The Municipality has made considerable progress in relation to the establishment of the Land Use Management System (LUMS) that will be used as a tool to manage the use of land for the entire Municipal area. The first phase of the project has been completed which entailed the initial consultation where workshops with Councillors, Tribal Authorities, Farmers and

Ward Committees were undertaken. In addition to that a situational analysis was conducted in which current land use survey, environmental analysis, settlement pattern and the collection of data was undertaken.

The work done so far recorded in principle that full town planning scheme control will be put in place for the urban centers, namely Mandeni, Sundumbili, Isithebe, Nyoni, Tugela and Tugela Mouth, in the form of formal town planning schemes. It was noted that some of these areas are covered by separate schemes at this time.

The remainder of the area of the Municipality is proposed to be covered by a more simple form of land use control, which reflects the policies of the IDP, but which facilitates management of development in the rural areas. The precise nature of this control will now be formulated, for work shopping with the relevant ward committees.

## **4.2 DEPARTMENT: CORPORATE SERVICES AND LOCAL ECONOMIC DEVELOPMENT**

The Department of Corporate Services and Local Economic Development is headed by the Director: Corporate Services and LED .

### **DEPARTMENT: CORPORATE SERVICES**

The Corporate Services Department is headed by the Manager: Corporate Services who then becomes responsible for the following sections:

- Human Resources Management;
- General Administration;
- Information Technology unit; and
- Committees Unit

The above mentioned sections provide the following services to the line function of the municipality:

- Human Resource Management :Recruitment and selection  
: Management of benefits  
: Human capital development  
: Labour relations  
: Staff budgeting  
: Job evaluation  
: Health and Safety  
: Report on Employment Equity Plan  
: Reporting on Workplace Skills Plan (WSP)

- General Administration : Registry / ensuring that records are kept properly;  
: Management of Committee work, which includes  
agendas and minutes for Council and Committees;  
: General Administration; and  
: Telephone management.
- Information Technology / IS : Ensuring smooth running of IT/IS systems including the  
municipal website

## **SUCSESSES IN 2006/2007**

### **NEWSLETTER OR PUBLIC PARTICIPATION**

The Department ensured that there is consistent communication with the public. During the first quarter, a tender was issued to employ the service provider to assist with the compilation of the Newsletter in every quarter. There have been two volumes that have been issued thus far with only one due by the end of this financial year. First issue was in December 2006 followed by the one issued in the beginning of April 2007.

Council agendas and minutes have always been supplied to the library as soon as they have been adopted.

Elections of ward committees in all 16 wards went successfully and were inaugurated in July 2006. Subsequently, they were subjected to intensive training during the month of August 2006. Council took a decision to pay travelling allowance if ward committee members have been invited to attend Municipal meetings. Members of ward committees were also allocated into portfolios by virtue of the structures or sectors in which they are already active as members of civil society.

Ward Committees have been encouraged to meet more frequently in their wards and forward their minutes to the office of the Speaker.

### **SUCCESSION EMPLOYMENT EQUITY PLAN**

A draft Succession Employment Equity Plan was prepared by Corporate Services Department during the months of July to September 2006. It was done through consultation with relevant structures such as Employment Equity and Local Labour Forums.

The Succession Employment Equity Plan of five years together with the Employment Equity Report was submitted in time before the deadline of the end of September 2006.

Occupational Categories	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top Management	4		1	1				1	7
Senior Management	2		1		3		1		7
Professionally qualified and experienced specialists and mi-management	3	1	1		5				10
Skilled technical & academically qualified workers, junior management, supervisors, foreman and superintendents	15		1	1	14	2	4	7	44
Semi-skilled and discretionary decision making	23	1	1		6		1		32
Unskilled and defined decision making	34				11		1		46
<b>TOTAL PERMANENT</b>	81	2	5	2	39	2	7	8	146
Non-permanent employees	7				9			2	18
<b>TOTAL</b>	88	2	5	2	48	2	7	10	164

\*A – Africans, C – Coloured, I – Indian and W – White

The above statistics includes people or staff with disabilities. This information comes from the Employment Equity Plan that was submitted to the Department of Labour by the 1<sup>st</sup> October 2006.

## RECRUITMENT

The following is the statistics of appointments made during this financial year:

APPOINTMENT AS FROM 01 JULY 2006 TO 30 JUNE 2007				
Number	Departments / Sections	Designation	Male	Female
2	Political Office bearers	<ul style="list-style-type: none"> <li>Drivers</li> </ul>	2	
1	Corporate Services	<ul style="list-style-type: none"> <li>Human Resource Clerk</li> </ul>		1
3	Community Services	<ul style="list-style-type: none"> <li>Manager: Community Services</li> <li>SNR: Enrolled Nurse</li> <li>Librarian</li> </ul>		3
2	Public Safety	<ul style="list-style-type: none"> <li>Traffic Officers</li> </ul>		2
13	Technical Services	<ul style="list-style-type: none"> <li>Director: Technical Services</li> <li>GA: Parks &amp; Garden</li> <li>GA: Roads &amp; Storm water</li> </ul>	1 4 6	2
PROMOTION AS AT 01 JULY 2006 – JUNE 2007				
1	Municipal Manager	<ul style="list-style-type: none"> <li>Municipal Manager</li> </ul>	1	
1	Corporate Services	<ul style="list-style-type: none"> <li>Switch-Board OP</li> </ul>	1	
3	Financial Services	<ul style="list-style-type: none"> <li>Section Head: Expenditure</li> <li>Data Capture Clerk</li> <li>Section Head: Income</li> </ul>	1	1 1
1	Community Services	<ul style="list-style-type: none"> <li>Life guard</li> </ul>	1	

Terminations within this financial year

TERMINATIONS AS AT 01 JULY TO 30 JUNE 2007				
1	Municipal Manager's Office	Municipal Manager	1	
1	Public Safety	Traffic Officer	1	
4	Community Services	SNR: Enrolled Nurse x 2 Librarian GA	2 1 1	



6	Technical Services	Manager Technical Services GA's x 5	1 3	2
<b>TRANSFER AS AT 01 JULY TO 30 JUNE 2007</b>				
1	Technical Services	M/ Reader to G/Ass. Electrician	1	
1	Finance Services	Secretary to Cashier		1

## FORMULATED POLICIES

The IT policy was formulated as it was required by the Auditor -General and was workshopped to all relevant stakeholders of the Municipality and is to be adopted by Council in June 2007. It will be out of this policy that IT Plan will be formulated with the assistance of assets management unit in the Finance Department.

The Employee Wellness Policy has been formulated and workshopped to all the relevant stakeholders i.e. staff, unions shostewards and Councillors and was adopted by Council on the 28 June 2007.

## HUMAN RESOURCES DEVELOPMENT

More than 60% expenditure of training budget was achieved to ensure that staff and councillors are sent for training following the Municipal Work Skills Plan.

### ACTUAL EXPENDITURE ON TRAINING FOR THE PERIOD 01 JULY 2006 TO 30 JUNE 2007

Source	Amount to be spent	Amount spent	Comments
Levy funds	0	0	Ex LGSETA
Organizational funds	R 213 540	R 138 944	
Other i.e. discretionary grants or loan funding	0	0	
Totals	R 213 540	R 138 944	Total spent on actual training excluding S&T

### NUMBER OF TRAININGS THAT WERE CONDUCTED FOR COUNCILLORS AND OFFICIALS

Employment Category	Amount		Number of Staff attended
	Actual accredited training	Workshop	
Leadership & Governance	0	0	0
Senior Officials / Management	30227.74	1250	11
Professionals	34316.90	1250	6

Technicians / Associated Prof.	0	0	3
Clerks	47375.4	2850	29
Service / Sales workers	960	0	7
Skilled Agriculture	0	0	0
Craft / Related Trades	0	0	
Plant & Machine Operators	0	0	0
Elementary Occupations	0	0	1
Other	0	0	0
Apprentices	0	0	0

**Reference: 2006/2007 WSP**

## **RULES OF PROCEDURE FOR COUNCIL AND WORKSHOP OF THE SAME**

During the period January to March 2007, arrangements were finalized for a company to print the Rules of Procedure and relevant pieces of legislation and binding.

## **LED LEARNERSHIP PROGRAMME**

During the month of July up to September 2006 our Skills Development Facilitator who is also an Assessor, conducted assessment for Module 1 and 2 of the Learnership Programme and as a result an amount of R17500.00 was received in August 2006 from the local Government SETA. This money is assisting in sending more employees for training and development.

## **PERFORMANCE MANAGEMENT SYSTEM**

Organizational performance management system was communicated to the community during IDP review process meetings. The municipal score cards was made part of the process. Furthermore, consultation also took place regarding Employee Performance Appraisal System and Policy to all staff and councillors and it was adopted on the 28 June 2007.

## **WEBSITE DEVELOPMENT**

The website was initially temporary hosted and developed by the service provider. The Department of Corporate Services managed to have the website hosted internally, which provides lots of flexibility in terms of being able to update and develop it in what ever way the municipality wants it to be. A Memorandum of understanding was signed with the State Information Technology Agency (SITA) to assist in IT related matters.

## **CHANGE OF NAME**

All the processes regarding the name change from éNdongakusuka Municipality to Mandeni Municipality was done, including, the notification of relevant stakeholders, notices to the media, notices to the community through schools and notice boards and eventually publication.

The MEC for Local Government and Traditional Affairs published the change of name under Government Notice No. 1737 dated 5 October 2006. Reports to various structures of the Council were prepared and submitted during the period of July to September 2006 around name change and municipal logo / coat of arms. All departments were informed to ensure that all municipal documents and correspondence needs to bear the new name and coat of arms.

## **COUNCILLOR'S WORKSHOP ON RULES AND ORDERS**

The workshop was conducted by the Manager: Corporate Services during the month of June 2007 where Councillors were workshopped on the above mentioned subject.

## **DISCIPLINARY MATTERS AND GRIEVANCES**

The Municipality successfully defended itself on two cases at the CMMA and conducted two disciplinary hearings where two of the employees were disciplined.

## **PRIORITIES FOR IDP 2007/2008**

- Cascading individual performance management system to the rest of the employees.
- Implementation of Employee Wellness Policy / Programme
- Compliance with regards to information that is supposed to be on the municipal website
- Implementation of Job evaluation results

## **4.3 LOCAL ECONOMIC DEVELOPMENT**

### **STRUCTURE FOR THE DEPARTMENT**

The position of Manager: Local Economic Development is currently vacant and the Director: Corporate Services and LED is acting in that position. The incumbent will take operational responsibility of this Department.

This department is responsible for local economic development within the municipal area of jurisdiction. This municipality has economic potential in the area of tourism, agriculture and industrial development.

## **SUCSESSES IN 2006/2007**

### **SUPPORTING SMALL SCALE AGRICULTURAL PROJECTS**

Many small scale farmers were supported by the municipality through Siyakha Consulting. The grant for agricultural projects was exhausted as we handed over final agricultural implements at the beginning October 2006.

### **ISITHEBE INDUSTRIAL ESTATE TO BE DECLARED AN IDZ**

This matter is dealt with by Ilembe District Municipality.

### **NUMBER OF JOBS CREATED**

Jobs were created through capital projects that were implemented by the Municipal during this period. Those projects related to roads and housing development.

### **TOURISM**

The Department submitted the following five tourism related applications to the National Department of Environmental Affairs and Tourism for funding after realizing the financial constraints that the municipality was experiencing:

- Ingwenya Nature Reserve Development including the military kraal. It should be noted that the Municipality is still waiting for the outcome of the application.
- Removing of alien weed or plants at Matigulu Nature Reserve.
- Princess Nandi Home as one of heritage sites within the area.

Tourism Officers' office was taken as the tourism desk. The municipality assisted Tugela Mouth Tourism Organization to employ 10 tourism monitors during the holiday seasons. These young people were employed to protect and patrol the beach area. The program was a great success and there were no criminal incidents reported. The monitors patrolled the beach working shifts starting from 5 am 6 pm.

The Municipality also employed four local people as tourism monitors at Dokodweni Beach during this period and people who visited the beach appreciated the service.

## **FORMULATION OF MANDENI MUNICIPALITY LED STRATEGY**

The service provider was appointed by the name of Urban-Econ. A situational analysis was done and consultation took place with the members of the community during the month of June 2007. The draft strategy was formulated and consultation with the main economic role players of Mandeni area also took place.

## **LED APPLICATION SENT TO GIJIMA**

The following applications were submitted to GIJIMA during their call between the month of February and March 2007:

- Tourism strategy became the priority because the municipal area of jurisdiction has a lot of heritage sites that would need to be developed for tourists attractions. The idea is that when this strategy is formulated it should take into account the so called Nandi area, Ngwenya Nature Reserve and Coastal areas as catalysts for further tourism development.
- Entrepreneur development in terms of Small market and SMME's

## **NAFCOC MEETING**

The LED office assisted traders of Mandeni to co-ordinate and organize a meeting with small, medium and micro businesses in the area. The purpose of the meeting was to form a committee to represent all traders in the structures of NAFCOC and the meeting was a great success.

## **BEACH CLEANERS**

The Department facilitated the employment of beach cleaners for Tugela Mouth and Dokodweni beach. Through partnership with Ezemvelo KZN-Wildlife we have seen these beaches being conducive for tourists visit and environmental friendly. The community has been conveying words of appreciation seeing that these areas are being cleaned and attracting visitors. Due to good relations between the Municipality and KZN-Wildlife they have offered to raise the rate that is paid to the workers and the number of labourers. This created hope to people who could not find jobs because of being unskilled.

## **CO-OPERATIVES MEETING**

On 01 December 2006, a meeting was held where local co-operatives were invited to attend a meeting which was aimed at introducing the Ilembe Secondary Co-operative and to clarify the role of this committee. The meeting enjoyed the presence of the Mayor who motivated cooperatives on their business specialities.

The co-operatives were further addressed by Ms Mdlalose from Masifundisane Organization, appointed by the Department of Economic Development to train the co-operatives.

## **CHALLENGES IN 2005/2006**

Vacancy of the LED Manager.

Insufficient funds to run successful LED projects

## **PRIORITIES FOR IDP 2007/2008**

- To formulate SMME and Tourism strategy.
- Implementation of poverty alleviation projects.
- Conclusion of the formulation of the LED Strategy
- Establishment of the Youth Advisory Centre (YAC)

## **4.4 DEPARTMENT OF TECHNICAL SERVICES**

### **STRUCTURES IN THE TECHNICAL SERVICES DEPARTMENT**

#### **DIVISIONS**

Administration

Building Control

Civil

Electrification

Mechanical

#### **Administration Division:**

The administration division ensures the proper filing, storage and retrieval of information such as building plans.

#### **Building Control**

Co-ordinates sequences associated with monitoring compliance with standards, procedures, regulations and specifications encompassed in the National Building Regulations and Town Planning Schemes with regards to the submission of plans for approval and construction of buildings, preparing and presenting investigated and

qualitative reports, processing/approving specific transactional works documentation and issuing compliance notices to align practices.

### **Civil Division:**

- Roads and Stormwater

It ensures the implementation, monitoring, evaluation and reporting sequences of outcomes associated with plans and programs defining the maintenance of civil road structures and/or construction of drainage systems and, coordinating building repair or restoration applications, controlling interventions and actions and executing corrective measures to address deviations in order to ensure functions and activities are aligned and coordinated towards the accomplishment of key service delivery objectives.

- Parks, Gardens and Refuse Removal

It co-ordinates and controls the key performance areas associated with the provision of an effective solid waste collection and disposal service and the maintenance of open public spaces through analysis and interpretation of requirements and provision of guidelines, formulating and implementing operational plans, investigating the applicability of changes, adjustments or the introduction of new approaches and communicating and reporting outcomes in order to ensure procedures are complied with and key service delivery objectives are accomplished.

- Building maintenance

It provides co-ordination, control and maintenance of Councils' buildings in accordance to a 5 year maintenance plan. Constructs new planned buildings which include all trades required.

### **Electrification Division**

It co-ordinates and controls the planning and execution of specialized tasks or activities associated with medium or low voltage electrical installation, maintenance and repair, providing guidance to specialist and support personnel on applications and program requirements and reporting on the productivity, performance and progress with respect to accomplishing immediate service delivery priorities and objectives.

### **Statistics on Electricity and Solid Waste Removal**

Total number of households in Mandeni Municipality as per current IDP = 31 217

Number of households with basic level of solid waste removal = 4402 = 14,1% = 86% backlog

Number of households without electricity (backlog) = 10 841 = 34,7% (as per iLembe DM Energy Master Plan)

## **WATER & SANITATION**

### **A : WATER**

LOCAL MUNICIPALITY	POPULATION	HOUSEHOLDS	2003/2004	2004/2005	2005/2006	2006/2007	BACKLOG % 2006/2007	ACCESS % 2006/2007
	UWP BACKLOG ESTIMATES		HOUSEHOLDS WITH ACCESS TO WATER				HOUSEHOLDS	HOUSEHOLDS
Mandeni	131 830	32 352	12 140	12 440	12 740	12 740	61	39
KwaDukuza	252 053	58 000	45 300	47 300	48 300	49 300	15	85
Ndwedwe	208 447	30 824	14 850	15 797	16 805	17 160	44	56
Maphumulo	212 909	24 731	8 216	8 470	9 298	10 965	56	44
<b>Total</b>	<b>805 239</b>	<b>145 907</b>						
<b>Access to Water</b>			<b>80 506</b>	<b>84 007</b>	<b>87 143</b>	<b>90 165</b>		<b>62%</b>
<b>Backlogs</b>			<b>65 401</b>	<b>61 900</b>	<b>58764</b>	<b>55 742</b>	<b>38%</b>	
<b>Achievements</b>				<b>3 501</b>	<b>3 136</b>	<b>3 022</b>		

### **B: SANITATION**

LOCAL MUNICIPALITY	POPULATION	HOUSEHOLDS	2003/2004	2004/2005	2005/2006	2006/2007	BACKLOG % 2006/2007	ACCESS % 2006/2007
	UWP BACKLOG ESTIMATES		HOUSEHOLDS WITH ACCESS TO SANITATION				HOUSEHOLDS	HOUSEHOLDS
Mandeni	131 830	32 352	17 173	17 889	18 643	20 538	37	63
KwaDukuza	252 053	58 000	41 051	42 762	44 544	45 544	22	78
Ndwedwe	208 447	30 824	10 907	11 362	11 835	13 718	56	44
Maphumulo	212 909	24 731	8 751	9 116	9 496	10 398	58	42
<b>Total</b>	<b>805 239</b>	<b>145 907</b>						
<b>Access to Sanitation</b>			<b>77 882</b>	<b>81 129</b>	<b>84 518</b>	<b>90 198</b>		<b>62%</b>
<b>Backlogs</b>			<b>68 025</b>	<b>64 778</b>	<b>61 389</b>	<b>55 709</b>	<b>38%</b>	
<b>Achievements</b>				<b>3 247</b>	<b>3 389</b>	<b>5 680</b>		

### **Mechanical Division**

It co-ordinates and controls the set-up, work in progress and completion of specialized tasks activities associated with the mechanical maintenance and repair of diesel/petrol powered heavy plant vehicles and/or light equipment, including monitoring and correcting the productivity and performance outputs of support personnel, communicating with suppliers and attending to routine/general administrative recording requirements.

### **GIS Information System**

Co-ordinates the application and implementation of information system related procedures to enable assembly, storage, manipulation, display and reporting of geographically referenced information as an effective support tool to management decision making processes and planning sequence and attending to the administrative recording and recordkeeping requirements for the section.

## **ACHIEVEMENTS WITHIN THE TECHNICAL SERVICES DEPARTMENT**

### **ROADS**



The following IDP projects were completed:

- Access Road and Parking area for Municipal Offices.
- Sundumbili Roads Phase 2.

Padianager Internal Roads were 80% complete by the end of June 2007. The KZN Department of Transport does not have funding for the road to Amatigulu but the application has been sent to Corridor Development. R6 m MIG has been secured.

## **POTHoles REPAIRS AND CLEARING OF DRAINS**

The department repaired potholes in various areas including wards 3, 4, 13, 14 and 15.

## **GRASS CUTTING**

Grass cutting was done in the following areas:

- Ward 3 \* Mandeni
  - \* Tugela Mouth
  - \* Padianager
- Ward 4 \* Highview Park
- Ward 7 \* Plaza Sportsfield
- Ward 13 \* Sundumbili Cemetery
- Ward 15 \* Sundumbili Sportsfield
- Ward 9 \* Amatigulu Sportsfield.

## **WASTE MANAGEMENT**

The recycling project was stopped because DAEA funding was stopped so that the project could be sustainable but it could not sustain itself. The Waste removal service provider has been able to collect in all four areas successfully viz. Mandeni, Thukela areas, Sundumbili and Thukela Mouth. 2 clean-up campaigns at Sundumbili were successfully conducted during the year and local schools were involved.

## **TRANSPORT**

Funding was secured by Ilembe District Municipality for the Integrated Transport Plan. The consultant was appointed and was held back by some disputes which are still resolved.

## **ELECTRICITY**

At the moment 100% of households in Mandeni area where the municipality supplies electricity have connections and all those who have applied for connections have been connected.

## **TOWN ENTRANCE**

The town entrance is currently cleaned by the municipality in partnership with SAPPI. This project is earmarked to spill over the whole of Mandeni town.

## **CUSTOMER SATISFACTION**

47 complaints were received from ratepayers and community members and most of them had to do with service delivery. All of these complaints were attended to and the turnaround time to respond (not necessarily resolved) is currently 48 hours.

## **MULTI-PURPOSE CENTRE**

Funding has been sourced from the Department of Works for the construction of the MPCC. The project has been delayed by the fact that the Department of Works is currently restructuring and MPCC may be relocated to DTLGA as a function. There are ongoing talks in this regard.

## **MUNICIPAL OFFICES**

A consultant was appointed at risk to secure funding. There is not promissory funding as yet but there are ongoing talks between the consultant and DTLGA. DBSA declined our application for the Licensing Centre and there are slim chances for them to consider this one due to our constrained revenue streams.

## **CHALLENGES**

- Capacity

## **PRIORITIES FOR THE YEAR 2007/2008**

- Implementation of roads projects

## **4.5. DEPARTMENT OF COMMUNITY SERVICES**

### **STRUCTURE OF THE DEPARTMENT**

The Community Services Department has the following sections:

- Social Services
- Library Services
- Community Development
- Health Services

The Department provides the following services.

- Social Services : provision of cemetery services  
: liaising with sector departments  
: administration of housing projects  
: hiring out amenities to the community
- Library Services : encouraging reading habits to the learners and community  
: providing reading and other material to the community  
: assisting local schools in setting up school libraries  
: promoting literacy among the communities
- Community Development: promoting sports of various codes  
: providing secretariat to the community structures  
: capturing data of community organizations
- Health Services : providing primary health care services to the communities  
: providing health-related programmes to the community  
: staging HIV/AIDS and health related awareness campaigns within the area  
in consultation with the Department of Health.

## **SUCSESSES**

### **HEALTH SERVICES**

This section started an employee wellness campaign which saw a number of municipal employees benefiting by being part of the HIV/Aids programmes. One on one counselling of employees was initiated by the counsellor. 2 HIV/Aids awareness campaigns were conducted to local companies. Schools were also visited as part of the campaign. Discussions around the de-linking of clinics were started. The Mandeni HIV/Aids Council commonly known as Mandeni Local Aids Council which is made of three task teams responsible for Education and Awareness, Treatment, care and support and Orphans and vulnerable children was successfully launched on the 19<sup>th</sup> of June 2007. 1300 people came to our clinics to undergo voluntary counselling and testing in this financial year.

### **LIBRARY SERVICES**

**National library week:** The 19<sup>th</sup> -21<sup>st</sup> March 2007 was declared as the National Library Week to all Libraries in South Africa. In a bid to celebrate the library week, our libraries had a fine free week, for overdue library materials. All the users who had the overdue books during that week were not charged library fines, and lots of overdue books were returned. All library users were each given library bags as part of celebrating library week.

**Donation:** Sappi donated R10, 000 for each library for the purchase of books and they were purchased at Exclusive bookshop in the Pavilion Centre. BHP Billiton donated 10 computers to Sundumbili Library and were received by the Mayor on the 4<sup>th</sup> of June 2007. These computers will be connected to Internet and the community and library users will have a chance to be trained on computer skills. Library staff attended various training programmes.

**Additional library:** A research and a proposal was prepared and forwarded to KwaZulu Natal Provincial Library Services for the additional library to be constructed in Isithebe area.

## **SOCIAL SERVICES**

Almost 80% of the Sundumbili Deeds of Grant were processed. The Department of Housing granted the municipality funding to finalize the ownership of both Sundumbili and Highview Park Housing Projects. These funds were used for hiring twelve (12) fieldworkers to collect data (social survey) which will be used in determining ownership. Negotiations with SAPPI about renovations at the swimming pool were successful and SAPPI renovated the pool to the sum of R70 000.00 and the municipality had to pay for the spares and equipment that was used by SAPPI. Data collection for all crèches within the municipality was successfully completed. Rabies inoculations were conducted in the municipal area. The Youth month was successfully celebrated with a number of youth activities taking place.

**Cemetery land:** The Mandeni Municipality in its IDP for 2002 recorded through public participation and situational analysis a lack or limited burial land hence forth the project cemetery identification L 21 was identified. Since 2003 to date the Municipality approached private land owners and Amakhosi for various potential sites. The results have been negative in a sense that the identified sites were neither available nor suitable in terms of the environmental and impact assessment and or geotechnical investigation. This has resulted to the Municipality constantly reporting minimal progress in this regard. Lack of social services facilities is an indication or high level of under development, poverty and disempowerment.

## **COMMUNITY DEVELOPMENT**

The municipality successfully sourced funding for the construction of Isithebe Sportsfield which is one of the IDP projects. An application for various other sports fields was submitted to the Department of Sports and Recreation. A number of competitions were staged where the municipality participated and won a number of trophies. These include dance, indigenous games, boxing, etc. Two municipal employees participated in karate and netball at national and provincial levels respectively.

## **HOUSING PROJECTS**

### **HLOMENDLINI HOUSING PROJECT**

The project is a People's Housing Process (PHP) and seems to be progressing well. At least 400 units were constructed as at the end June 2007 and it is envisaged that the first phase of 919 will be completed by the end of 2007. Because the project is a PHP there was a need to train local people who will work in the project and 84 people were trained by the Department of Labour on the following:

- Plumbing – 12
- Blocks – 24
- Bricklaying – 12
- Carpentry – 12
- Plastering – 12.

### **MATHONSI/SUNDUMBILI HOUSING PROJECT**

700 beneficiaries were approved and only 300 were outstanding. Approvals were done solely by the Department of Housing and there is too little the municipality can do however a number of meetings were held with the Department of Housing staff to fast track all projects. It was agreed by the Project Steering Committee (PSC) that the project would be split into 500 per area for equitable distribution. Because the project is a PHP there was also a need for skills training where 84 people were trained by the Department of Labour on the following:

- Plumbing – 12
- Blocks – 24
- Bricklaying – 12
- Carpentry – 12
- Plastering – 12.

### **MASOMONCE/MANDAFARM HOUSING PROJECT**

The application was for 1000 units and it was agreed by the PSC that the project be split into 500 for Masomonce and another 500 for Mandafarm. Because the project is a PHP there was also a need for skills training where 84 people were trained by the Department of Labour on the following:

- Plumbing –12

- Blocks – 24
- Bricklaying –12
- Carpentry – 12
- Plastering – 12.

Almost 600 beneficiaries were approved by the Department of Housing and it is hoped that final approval will be forthcoming before the end of 2007.

### **ENEMBE (MATHONSI RURAL) HOUSING PROJECT**

Registration of 1000 beneficiaries was completed. 84 people were trained by the Department of Labour on the following:

- Plumbing – 12
- Blocks – 24
- Bricklaying – 24
- Carpentry – 12
- Plastering – 12.

**NB.** There was no movement in the Macambini, Isikhonyane and Inyoni Housing Projects largely due to the fact that the applications were awaiting approval from the Department of Housing. Land issues on Thorny Park and Elbow Farm Housing Projects were not finalised and they held the projects back despite municipal interventions between the Department of Housing and owners of land.

### **CHALLENGES FACED BY COMMUNITY SERVICES**

- Capacity

### **PRIORITIES FOR IDP 2007/2008**

- Rolling more housing projects.

## **4.6 PERFORMANCE BY THE SERVICE PROVIDERS**

### **MANDENI FIRST NATIONAL BANK**

They are a bank that is providing banking services to the Municipality. They are providing excellent service and there has not been any single complaint since they started providing the service. They have supported the local community as well through social programmes.

### **SIYAKHA WASTE SERVICES**

This is a black owned company providing waste removal services to the municipality. They remove household waste from four formal areas of the municipality to a transfer station. They have performed their work well considering the fact that they are a previously disadvantaged company. They have also provided free waste management education and clean-up campaigns to the municipality and the community.

### **DOLPHINE COAST WASTE MANAGEMENT SERVICES**

They are a waste removal company which transports waste from the transfer station to the dumping site. The need for the transfer station is as a result of a waste recycling project where the municipality was empowering local people in different ways. The service provider is still efficient in the way it provides this service.

### **CALTEX**

They are a source of petrol and diesel to fill our tanks for our fleet. There have been serious problems with the performance in this service. Problems relate to times of filling, the municipality sometimes does not receive petrol and will be forced to use other filling stations which should not be happening. The service provider blames its own systems about this, however, there are continuous engagements on the matter.

### **STRUWING, MENDES AND ASSOCIATES**

They are implementing Agents of the Hlomendlini Housing Project, the project is going very well and over 600 houses are on the ground. They seem to be on target with their performance and the community is relatively happy with development and service delivery in the area.

It should be noted that the municipality does have 7 other housing projects which are still at around the planning stage and is still too early to assess performance. At this stage it is not easy to wholly blame them for non-performance because there are many other stakeholders involved in the planning process including funders of projects.

### **IBHUBESI SECURITY**

This is the company that has been providing security services to the municipality. It is stationed in most sites of the municipality. Their performance has not been satisfactory for there have been incidents of theft in some of these sites. Their contract expires in 2007.

## **EVALUATIONS**

They are the ones who help the municipality with evaluations of properties. They maintain the valuation roll. They are involved in the preparation process for the implementation of the Municipal Property Rates Act which will be implemented in July 2007. Their performance is satisfactory.

## **GRACAN**

The telephone system is being provided by this service provider. The Municipality has been encountering several challenges with regards to the system provided by the service provider and amongst others was inability to receive telephone print-outs. Engagements are still continuing in trying to resolve these challenges because the Municipality had signed a five year contract with them which will expire in two years time.

## **NORTH COAST TIMES**

North Coast Times has just been appointed to assist the municipality in preparing and printing out the newsletter each every quarter. They have signed a performance contract of one year with the Municipality. The performance of the service provider has been satisfactory thus far.

## **4.7 FINANCE DEPARTMENT**

The Finance Department is headed up by the Chief Financial Officer and is further subdivided into two main sections viz. Income and Expenditure



# ***ANNUAL FINANCIAL STATEMENTS***



**MANDENI MUNICIPALITY**

**FOR THE YEAR ENDED**

**30 JUNE 2007**

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## GENERAL INFORMATION

!

## MEMBERS OF THE COUNCIL

Mayor	: Councillor B.L. Magwaza
Deputy Mayor	: Councillor J Singh
Speaker	: Councillor Z P Makhoba
Chairman of the Executive Committee	: Councillor B L Magwaza
Members of the Executive Committee	: Councillor D M Shandu
	: Councillor N. Reddy
	: Councillor B P Mngadi
	: Councillor D M Maphumulo

### Senior Officials

Municipal Manager	: M.B. Ngubane	
Chief Financial Officer	: M J Pearson (Mrs.)	:
Director: Corporate Services and LED	: N.G. Kumalo	
Director: Service Delivery	: Vacant	
Director: Technical Services	: M. Sewdular	
Manager: Corporate Services	: NN Mhlungu	
Manager: Community Services	: N Mncwango (Mrs.)	
Manager: Financial Services	: M Doorasamy	
Manager: IDP	: S Khanyile	
Head Public Safety	: R Heslop	

## GRADING OF MUNICIPALITY

## NUMBER OF WARDS

Low Capacity	16
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## BANKERS! ! ! ! ! ! ! AUDITORS

First National Bank	Auditor-General
---------------------	-----------------

! ! ! ! ! ! ! !

## REGISTERED OFFICE

2 Kingfisher Road	PO BOX 144
MANDINI	MANDINI

4490

4490

Telephone: (032) 456 8200

Fax: (032) 456 2504

**MUNICIPAL MANAGER**

Dr. M.B. Ngubane

**CHIEF FINANCIAL OFFICER**

Mrs. M.J. Pearson (Resigned 3 August 2007)

**APPROVAL OF FINANCIAL STATEMENTS**

The Annual Financial Statements pages 5 to 39, for the year ended 30 June 2007, were approved by the Council on .....

\_\_\_\_\_  
**MUNICIPAL MANAGER**

\_\_\_\_\_  
**MAYOR**

!

**DATE:** .....

## FOREWORD BY THE MAYOR

The Mandeni Municipality financial year commenced the year with Councillor BL Magwaza at the helm as a Mayor. The tight budgetary and cash flow constraints have continued throughout 2006/2007, however, the municipality has not managed to bring down the level of outstanding creditor payments. The Financial Recovery Steering Committee continued during the current year to monitor the Municipality's finances. The committee is chaired by a representative from the KwaZulu Natal Provincial Department of Traditional and Local Government Affairs. Financial assistance was received from the Department of Traditional and Local Government to assist with financial management through the Municipal Assistance Programme (MAP). A grant of R 500 000 was received during the year. A Financial Management Grant of R500 000 was also received from National Treasury for capacity building and financial management. The financial Management grant is also used to pay for two interns employed by the municipality.

Efforts continued during the year to recover outstanding debts. Through the Management Assistance Programme, a consultant was appointed to carry out a data cleansing programme. They have had the task of identifying all the indigent and unemployed within the community, as well as listing each owner or tenant on every property. The Debt Pack Programme has now been implemented to assist in the collection of arrear debts. This programme was installed in April 2007 and is now beginning to show improvements in recovery of arrear debts. However, refuse collection is still the biggest challenge.

Overall the Municipality budgeted for income totalling R 51,677,450 and the actual income earned was R 52,803,635.

Overall the Municipality budgeted for expenditure totalling R 51,677,450, and the actual expenditure was R 49,558,429.

The Free basic electricity project which the municipality commenced in 2005/2006 is continuing successfully. Funds for this project are allocated from the equitable share grant. The total number of households in the community now benefiting from this grant has increased substantially from 735 in the previous financial year to 1442 households in the 2006/2007 financial year.

The Municipality was able to commence a number of capital projects for which specific grant funding was obtained. These projects included:

- Hlomendlini Housing
- Sundumbili Roads

- Padianagar Roads
- Municipal access and Parking
- Hlomendleni Clinic

The management team and the staff are committed to service delivery in accordance with its mandate and ensuring that the tariff increases are fair and reasonable in spite of the many challenges which face the Municipality on an ongoing basis.

In conclusion I would like to express my appreciation to the Speaker, the Deputy Mayor, Executive Committee, Councillors and the Management team and the staff for their support, co-operation and hard work.

---

Mayor B L Magwaza  
Chairman of the Executive Committee

Date: .....

# **REPORT OF THE AUDITOR-GENERAL TO THE MUNICIPAL COUNCIL AND KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MANDENI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying financial statements of the Mandeni Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, and the report of the chief financial officer, as set out on pages 8 to 31.

### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis of accounting**

8. The municipality's policy is to prepare the financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

### **Basis for qualified opinion**

9. **Scope limitation**

Management's inability to provide information has resulted in the recorded amounts of the financial statements for the following components not being assessed for completeness, accuracy and validity:

## **Debtors**

### **Age analysis**

No reconciliation had been provided in respect of the difference of R1 727 857 between the debtors balance per the debtors age analysis and the debtors balance per the general ledger. Due to the volume of transactions concluded during the year, it was not practical for audit to perform the reconciliation.

### **Miscellaneous debtors**

Individual debtors amounting to R622 161 were not separately identifiable from the schedule of miscellaneous debtors. Furthermore, the miscellaneous debtors schedule included debtors with a credit balance amounting to R653 268 which was not classified as creditors. Owing to the nature of the municipality's records, I was unable to perform alternative procedures to verify the completeness of this balance.

### **Short-term portion of long-term debtors**

Supporting documentation to substantiate the calculation of the short-term portion of long-term debtors of R667 493 as disclosed in note 7 to the financial statements was not provided. Owing to the nature of the municipality's records, I was unable to perform alternative procedures to verify the calculation of the short-term portion of long-term debtors.

## **10. Recoverability of debtors**

### **Consumer debtors**

The existence of consumer debtors of R55 784 099 included in note 9 to the financial statements is uncertain as my audit sample revealed that only 1 per cent of the consumers had paid their accounts subsequent to year-end.

Consumer debtors of R55 784 099 include rates debtors amounting to R38 691 844. In terms of the Ordinance, the municipality has the right to attach the properties of delinquent debtors in an attempt to recover the outstanding balance. No such action was instituted against any debtor, which increased the uncertainty of the recoverability of consumer debtors.

### **Housing debtors**

Included in note 9 to the financial statements were housing debtors amounting to R5 462 825 which related to the Highview Park Housing Scheme. These debts were taken over from the Umsekeli Municipal Support Services with effect from 1 July 2005. No payments have since been received and no provision for doubtful debts had been made for these outstanding housing debtors.

### **Recoverability of land sale debtors**

Included in accounts receivable were land sale debtors amounting to R839 828. The recoverability of these debtors was uncertain as the terms and conditions had not been complied with and no action had been instituted against these defaulting debtors. Furthermore, no provision for doubtful debts had been made for the outstanding land sale debtors.

## **11. Unauthorised expenditure**

It was noted that expenditure amounting to R2 229 724 incurred in respect of the repairs and maintenance vote exceeded the budgeted amount of R1 957 850 by R271 874. This over-expenditure related to repairs on a grader. Inspection of minutes of council meetings revealed that the overspending had not been approved.

## **Qualified opinion**

12. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of Mandeni Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

## **Emphasis of matters**

I draw attention to the following matters:



### **13. Going concern**

The inability of the municipality to collect outstanding debts and the under-provision for doubtful debtors resulted in the municipality being technically insolvent as at 30 June 2007. Inadequate controls over debt collection had resulted in an increase in debtors and cash flow problems had resulted in delays in supplier payments.

Statutory funds and unspent grants per the financial statements amounted to R17 684 860 and after taking into account internal loans and temporary borrowings of R10 583 015, the balance of R7 101 845 should have been represented by cash and investments. At 30 June 2007 cash and investments totalled R6 041 576, with a resultant shortfall of R1 060 269, which indicated that the municipality had used funds earmarked for specific purposes to fund day-to-day operations.

The above matters cast doubt on the ability of the municipality to continue as a going concern.

### **14. Basis of accounting (departures and deviations)**

The accounting policy note 5.4 on reserves states that all unspent funds received in the form of grants and subsidies are retained in the balance sheet as a reserve. The funds are accounted for in the income statement as income and expenditure in the year that the monies are spent. It was noted that there was inconsistency in the treatment of grants as some grants were taken directly through reserves whilst other grants were reflected in the income statement.

### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

### **15. Non-compliance with applicable legislation**

#### **Municipal Finance Management Act**

##### **Internal control**

The municipality did not develop and implement a risk management policy. The municipality has therefore not effectively managed its risks in accordance with section 62(1)(c). Also, it was noted that the municipality had not drafted, approved and/or implemented the following:

- Performance review policy
- Investment policy.

##### **Supply chain management**

The municipality did not comply with section 115(1)(a) of the MFMA in respect of the following:

- Management used a procurement supply chain policy which differed from the draft supply chain management policy
- Council did not oversee the implementation of the supply chain management policy
- No reports were submitted to council within 30 days after the end of the year, detailing the implementation of its drafted policy, or material problems encountered with such implementation.

##### **General non-compliance**

- The municipality did not pay all money owing within 30 days of receiving the relevant invoice/statement, as required by section 65(e) of the MFMA.
- The municipality did not meet all financial commitments towards other municipalities, as required by section 37(1)(c) of the MFMA. An amount of R771 536, owed to Ilembe District, was carried forward from prior years and had not yet been paid.
- The municipality paid an amount of R31 777 to the South African Revenue Services on behalf of the mayor as a fringe benefit tax for the right of use of a motor vehicle. This was in contravention of section 164(1)(c) of the MFMA.

- The municipality had not followed up a long-term debtor relating to a vehicle loan amounting to R283 493, which included interest owed by the former municipal manager, as required by section 64(2) of the MFMA
- The municipality did not submit an implementation plan, detailing progress towards full compliance with section 122(3) of the MFMA, to the National Treasury and Provincial Treasury before 30 October 2007.

### **Value Added Tax Act**

In terms of section 8(11) of the Value Added Tax Act, 1991 (Act No. 89 of 1991) (VAT) a supply of, or the use or the right to use, or the granting of permission to use, any goods under any rental, instalment or credit sale agreement or any other agreement under which such permission to use is granted, shall be deemed to be a supply of goods. During the audit of VAT and employee costs it was noted that no output VAT was declared on the fringe benefit in respect of the use of the council's vehicle by the mayor.

### **South African Local Bargaining Council Agreement**

Section 7(3) of SALBC Agreement states that all leave accrued as at 31 December 2003 shall be dealt with as follows:

The values of such accrued leave shall be determined at the rate of pay as at 31 December 2003. Employees shall either take or encash such leave within a period of two years calculated from 1 January 2004. Notwithstanding the provisions of clause 7.3.2, an employee is entitled to retain a maximum of 48 days of accrued leave. It was noted that the municipality's leave cycle was only changed with effect from 1 January 2006, whilst leave accruals prior to January 2006 were based on the leave cycles which started on the employee's date of appointment.

Furthermore, certain employees' leave payout was based on leave days in excess of the 48-day threshold.

## **16. Matters of governance**

### **Effectiveness of internal audit**

During the year under review, internal audit was outsourced in terms of section 165(3) of the MFMA. The following was noted:

- Working papers were not available to determine whether the work had been prepared and reviewed in terms of the audit approach and methodology in accordance with the Standards for the Professional Practice of Internal Auditing, as prescribed by the Institute of Internal Auditors
- Internal audit reports were not finalised during the year and a report on the findings for the year under review was only tabled for discussion on 23 October 2007 at the audit committee meeting
- The internal audit plan did not indicate dates on which the audits would be finalised
- Internal audit staff did not sign certificate of independence
- The internal audit plan did not indicate follow-up audits.

### **Effectiveness of the audit committee**

The functions of the audit committee were not fully complied with during the year under review, as required by section 166 of the MFMA. The following was noted:

- The audit committee only met once during the year under review
- Council had not evaluated the effectiveness of the audit committee
- Appropriate measures were not taken to effectively discharge its mandate in respect of the review of the internal control procedures followed by management, controls designed to ensure that assets are safeguarded, risk management and related policies, compliance with the prescribed accounting framework and the effectiveness of internal audit
- Membership of the audit committee was not published in the prior year annual report
- The annual report of the audit committee's activities, as well as any significant issues that had arisen during the year, was not submitted to the council.

## 17. Material corrections made to the financial statements submitted for audit

The financial statements approved by the accounting officer and submitted for audit on 31 August 2007 have been significantly revised in respect of the following misstatements identified during the audit:

- Interest income was credited by R247 230 and cash and bank was debited as a result of interest on the call account not being accrued for at year-end
- Other income was increased by R41 661 and interest on investments decreased as a result of a misallocation
- General expenditure was credited and miscellaneous payables were debited by R771 536 due to a duplication of a payable to Ilembe District Municipality
- General expenditure was debited and cash and bank credited by R288 875 due to payments that appeared on the bank statement but were not captured in the general ledger
- Repairs and maintenance were credited and miscellaneous payables were debited by R58 511 due to errors in capturing of invoices
- Contribution to fixed assets was debited and loans redeemed and other capital receipts were credited by R30 205 due to a misallocation of an expense
- Contributions were debited and the capital development fund was credited by R1 574 365 due to the contribution to the capital development fund not being provided for at year-end
- Contribution to bad debts was debited and provision for bad debts credited by R5 555 431 due to the municipality not complying with its accounting policy in respect of the provision for bad debts
- A contingent asset amounting to R537 873, as disclosed in note 26 to the financial statements, was removed as there was no certainty that this asset would be realised.

## 18. Internal control

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for qualification opinion</b>					
Debtors recoverability			√		√
Unauthorised expenditure			√		√
<b>Emphasis of matter</b>					
Going concern		√			
Basis of accounting (deviation)			√		√
<b>Other matters</b>					
Non-compliance with applicable legislation	√	√			
Matters of governance	√				
Material corrections made to the financial statements			√		√

## 19. Investigations in progress or completed

Two forensic investigations are pending:

## **Forensic investigation into unauthorised payments**

An investigation into unauthorised access to the municipality's CAMS (payments) system involving unauthorised payments amounting to R101 000 in the prior year.

## **Forensic investigation into stolen safe**

An investigation into the theft of a safe which included cash takings for the Ilembe water account debtors.

### **20. Unaudited supplementary schedules**

The supplementary information set out on pages 32 to 37 does not form part of the financial statements and is presented as additional information. I have not audited these annexures and accordingly I do not express an opinion on them.

### **OTHER REPORTING RESPONSIBILITIES**

#### **Reporting on performance information**

21. I was engaged to audit the performance information.

#### **Responsibility of the accounting officer for the performance information**

22. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **Responsibility of the Auditor-General**

23. I conducted my engagement in accordance with section 13 of the PAA, read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.

24. In terms of the foregoing, my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

25. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

#### **Audit findings**

### **26. Non-compliance with regulatory requirements**

#### **Content of the integrated development plan**

The integrated development plan of the municipality did not include the key performance indicators and performance targets set in terms of its performance management system, as required by sections 43 and 44 of the MSA. As a result, the following key performance indicators could not be measured:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- The percentage of households earning less than R1 100 per month with access to free basic services
- The number of jobs created through the municipality's local economic development initiatives, including capital projects
- Financial viability ratios.

The following key performance indicators included in the integrated development plan did not have predetermined targets:

- The percentage of the municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan
- The percentage of the municipality's budget spent on implementing its workplace skills plan.

### **Lack of reporting on all predetermined objectives in the annual report**

I draw attention to the fact that the Mandeni Municipality had not reported on all development priority, objective and the general key performance indicators, as required by section 43 of the MSA and regulation 10 of the Regulations and in terms of the DPLG: Performance Management Guideline for Municipalities, 2001, paragraph 5.8.2. Consequently, I was unable to verify the actual performance in respect of the following:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- The percentage of households earning less than R1 100 per month with access to free basic services
- Financial viability ratios.

### **Existence and functioning of a performance audit committee**

The Mandeni Municipality did not appoint and budget for a performance audit committee, nor was the audit committee utilised as the performance audit committee, as required by section 45 of the MSA.

### **Internal auditing of performance measurements**

The Mandeni Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45 of MSA.

## **APPRECIATION**

27. The assistance rendered by the staff of the Mandeni Municipality during the audit is                      sincerely appreciated.

Pietermaritzburg

30 November 2007



**AUDITOR - G E N E R A L**

## OFFICE OF THE MUNICIPAL MANAGER

### REPORT OF THE AUDIT COMMITTEE

---

#### 1. INTRODUCTION

We are hereby pleased to present our report for the financial year end of 31 June 2007 and hope that it will present a reflection of the activities of the Audit Committee as mandated by the relevant legislation.

#### 2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed below and meets at least four times a year as per its approved Charter. During the year under review 1 meeting was held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
1. Mr J Hunt (Chairperson)	1
2. Adv. MNP Mtshali	1
3. Mr B Radebe	1
4. Mr M Press	0
5. Mr K Ragunandan	1 (resigned on 06 August 2007)
6. Mr D Mbatha	0 (appointed on 01 November 2007)

#### 3. AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee is satisfied that, it has complied with its responsibilities as outlined in Section 166 (2)a – e. The affairs of the Committee were regulated in compliance with the Audit Committee Charter and responsibilities contained therein have been discharged fairly although limited by the fact that the Committee only met once in the financial year.

#### 4. THE EFFECTIVENESS OF INTERNAL CONTROLS AND THE INTERNAL AUDIT FUNCTION

The Audit report on the Financial Statements, qualified opinion, matters of emphasis and the management letter of the Auditor-General have reported the following matters that arose from the audit and are relevant to responsibilities of the Accounting Officer:

- Material misstatement of debtors in the financial statements leading to limitation of scope.
- Non-provision of documentation on miscellaneous debtors and long-term debtors.
- Material misstatement of contingent assets in the financial statements.
- Going concern.
- Non-compliance with supply chain and performance management regulations.
- Material weaknesses in the implementation and effectiveness of internal controls or financial management.

The Committee noted the various items raised by the Auditor-General, as well as responses from Management, however the findings are not necessarily a reflection on managerial deficiencies at the municipality rather as a result of:

- Challenges in debt recovery and revenue collection leading to non-implementation of various programmes and systems.
- Limitations on performance of certain processes due to the low staff complement.

Management has confirmed that most of these findings have been addressed however they will continue to ensure that internal controls are improved.

## 5. **EVALUATION OF THE FINANCIAL STATEMENTS AND AUDIT REPORT**

The Audit Committee has:

- Reviewed and discussed with the Auditor-General, the Accounting Officer and management the audited financial statements to be included in the annual report.
- Reviewed and discussed management's responses to the audit queries.

The Audit Committee accepts the conclusion of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements can be accepted and read together with the report of the Auditor-General.

.....

**MR JOHN HUNT**

**CHAIRPERSON: AUDIT COMMITTEE**

.....

**DATE**

## CHIEF FINANCIAL OFFICER'S REPORT FOR THE YEAR ENDED 30 JUNE 2007

The Annual Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice (1997) and the Report on the Standardisation of Financial Statements of Local Authorities (Second Edition), as amended.

It is with pleasure that my report on the finances of the Mandeni Municipality for the year ended 30 June 2007 is submitted. The financial statements are appended.

### 1. OPERATING RESULTS

The details of the operating results per department and classification of income and expenditure are included in Appendices D and E.

The overall operating results for the year ended 30 June 2007 are as follows:

#### *Overall operating results*

INCOME	Actual 2006	Actual 2007	Variance - Actual 2006/200 7	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	46,506,169	52,803,635	14	51,677,450	2
Expenditure	(49,815,220)	(49,558,429)	(1)	(51,677,450)	(4)
Surplus	(3,309,050)	3,245,206	(198)	0	
Appropriations	5,081,492	(19,177)	(100)	0	
Opening Surplus	8,375,788	10,148,230	17	0	
Closing Surplus	10,148,230	13,374,259	32	670,719	

Overall the municipality has a surplus of R 13,374,259 which has mainly been attributable to control over expenditure and certain capital projects not being carried out during the year. Unfortunately, whilst there is a surplus it is not cash backed as the amount is part of the arrear debtors.

#### **Rate & General Services operating results**



INCOME	Actual 2006	Actual 2007	Variance - Actual 2006/2007	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	40,626,214	46,982,420	16	45,592,880	3
Expenditure	45,232,002	(45,028,526)	(0)	(45,686,930)	(1)
Surplus/(Deficit)	(4,605.788)	1,953,893	(142)	(94,050)	(2178)
Surplus as a % of income	(11)	4	0	3	0

### Trading Services operating results

The only Trading Service is Electricity. The municipality only supplies electricity to the town area of Mandeni. The balance of the Mandeni Municipal area is supplied by Eskom. Eskom offers free basic electricity to consumers who qualify. At present there are 735 householders who are receiving free electricity. This is funded by part of the equitable share.

### Electricity

ELECTRICITY	Actual 2006	Actual 2007	Variance - Actual 2006/2007	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	5,449,991	5,389,328	(1)	5,660,000	(5)
Expenditure	4,575,986	(4,529,903)	(1)	(5,990,520)	(24)
Surplus/(Deficit)	874,006	859,425	(2)	(330,520)	(360)
Surplus as a % of income	16	16	0	(6)	0

A portion of the equitable share was transferred to the Electricity department to cover the cost of the free basic electricity. The expenditure is still well below the budgeted figure. Provision was made for the free basic electricity, but only 735 households received the benefit during the year.

## 2. HOUSING FUND

During the 2005/2006 financial year the municipality was informed that uMsekeli Municipal Support services would be closing. This then necessitated that the municipality take over the billing of the Highview Housing Project. Although the houses will not become part of the assets of the municipality, the value of the debtors has been brought to account until the Department of Housing finalises this project. The total value of debtors for this project is R 5,462,825, which pushes up the overall value of outstanding debtors. The balance of the funds relating to this project was handed over to the municipality and amounts to R 629,423. The Surplus of R 431,887 attained on the Operating account has not been recovered in Cash, and the management of these accounts remains a burden on the municipality.

INCOME	Actual 2006	Actual 2007	Variance - Actual 2006/2007	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	429,964	431,887	0	0	0
Expenditure	7232	0	0	0	0
Surplus	422,732	431,887			
Surplus as a % of income	0	100	0	0	0

## 3. CAPITAL EXPENDITURE & FINANCING

The second phase of the upgrade of the Sundumbili Roads was completed during the year. This project was grant funded. Other capital purchases included office equipment, furniture and fittings and plant and equipment.

	Budget 2007	Actual 2007	Actual 2006
	R	R	R
Land	0		54,000
Buildings	21,000,000		949,312
Infrastructure	43,111,435	13,544,695	130,900

Other Fixed Assets	69,464,300	219,381	381,269
	133,575,735	13,764,076	1,515,481

The above assets were funded as follows:

	Budget 2007	Actual 2007	Actual 2006
	R	R	R
Operating account	918,000	59,855	876,254
Grants and subsidies	132,839,735	13,704,221	605,057
Insurance	0		26,969
Other	0		7200
	133,575,735	13,764,076	1,515,481

Refer to Appendix C for a further analysis of the fixed assets.

### 3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2007 was R 6,988,120(2006: R 7,597,338) as set out in Note 3 to the financial statements. No new loans were taken out during the year and R 609,218 was repaid during the year. More information in respect of external loans and investments may be found in Notes 3 and 6 and Appendix B.

Investments and cash on hand as at 30 June 2007 was R 6,041,576 (2005: R 2,803,440)

### 4. STATUTORY FUNDS AND TRUST FUNDS

Included in the trust funds are unspent monies on funding/grants that have been received for specific purposes. These funds will be utilised in the 2007/2008 financial year.

More information regarding statutory funds and trust funds are disclosed in Notes 1, 25, 26 and 27 and Appendix A to the financial statements.

## **5. POST BALANCE SHEET EVENTS**

There are no post balance sheet events.

## **6. APPRECIATION**

I would like to record my grateful thanks for the co-operation and support received from the Mayor, Executive Committee and the Council and during the year under review. Thanks are also extended to the Municipal Manager, Directors, Managers especially the Finance Manager and the staff for their support and all assistance they have given during the year.

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Chief Financial Officer

Date: 31 August 2007

## **ACCOUNTING POLICIES**

### **1. Basis of Presentation**

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition, January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in accounting policy note 3. The accounting policies are consistent with those of the previous year except where otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
  - Income is accrued when measurable and collectable to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
  - Expenditure is accrued in the year it is incurred.

### **2. Consolidation**

The financial statements include the Rate and General Services, Trading Services, Housing and the different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal and monthly electricity charges which are treated as income and expenditure in the respective departments.

### **3. Fixed Assets**

- 3.1 Fixed Assets are stated:
  - at historical cost, or
  - at valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation whilst they are in existence or fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.
- 3.2 Depreciation

The balance shown against the heading “Loans Redeemed and Other Capital Receipts” in the notes to the balance sheet is tantamount to a provision for depreciation, however certain structural differences do exist, By the way of this “Provision” assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make a further provision for depreciation.
- Grants or donations, where the amount representing the value of such grant or donation is immediately credited to the “Loans Redeemed and Other Capital Receipts” account

3.3. All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. All net proceeds from the sale of moveable assets are credited to the Capital Development Fund.

3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. The loans redeemed and other capital receipts account is credited as the loans are repaid. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

3.5. Other

Fixed assets are disclosed on the Balance Sheet as the net of the original cost less the loans redeemed and other capital receipts.

## **4. Inventory**

Inventory is valued at the lower of cost, determined on the average cost and net realizable value.

## **5. Funds and Reserves**

5.1 Capital Development Fund

The Local Authorities Ordinance No.25 of 1974 requires a minimum contribution of 3 percent of the defined income of a local authority. The Fund is used to finance capital expenditure, and the surplus funds are invested.

## 5.2 Loan Redemption Fund

The redemption of loans in Rates and General Services is provided for by annual repayment of advances made to the borrowing accounts calculated on the estimated life of assets acquired but subject to a limitation of a maximum of 30 years on the life of any individual asset. Internal loans are repaid in relation to the life of an asset. Redemption on State and Development Bank of South Africa loans is payable half yearly on an annual basis.

## 5.3 Public Improvement Fund

The fund is divided into 2 parts:

- The general section which receives funds from cash and land endowments and various other sources
- The development section through which the development of the Eastern Expansion Area of Mandini has been operated.

### *Acquisition of land*

The valuation of land in Extension 7 is reflected at cost, and the net income of land sales is reflected separately.

### *Valuation of Services in Eastern Expansion Area*

The services acquired by the Rates and General Services Fund and Trading Services as a result of the Development in the Eastern Expansion Area have been brought to account at a valuation which has been set at the cost of development of these services.

### *Land Sales*

The income on land sales is credited to the Fund. Where the sale is not paid in full an agreement of sale is entered into whereby the purchaser pays a deposit and the balance is paid in instalments. The transfer of the property is only effected when the full amount is paid. All property sold and transferred is transferred to Deferred Charges, until the loan is paid.

## 5.4 Reserves

All unspent funds received in the form of grants and subsidies are retained in the balance sheet as a reserve. The funds are accounted for in the income statement as income and expenditure in the year that the monies are spent.

## **6. Provisions**

### **6.1 Leave Pay**

Provision has been made for the outstanding leave obligation as at 30 June 2007. The basis of calculation of the leave pay is the number of leave days per employee as at 30 June 2007 multiplied by the daily rate per employee. The calculation of the daily rate is the annual salary per employee divided by 250 days.

### **6.2 Bad Debts**

Provision has been made for bad debts which are deemed to be unrecoverable and have been outstanding for 150 days or longer. The provision is based on 50% of all debts outstanding for 150 days and longer and 25% of the balance of outstanding.

## **7. Retirement Benefits**

The Mandeni Municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation), the Natal Joint Municipal Pension Fund (Retirement) or the Natal Joint Municipal Pension Fund (Provident) which provides retirement benefits for such employees. The municipality's current contributions are charged against operating income.

The Councillor's contribute to the Councillor's Pension Fund and is voluntary, not mandatory. This fund provides retirement benefits for the Councillors.

## **8. Surpluses and Deficits**

The surpluses or deficits arising from the operation of the Electricity Service are retained in that fund unless otherwise resolved by Council.

## **9. Treatment of Administration and Other Overhead Expenses**

The estimated costs of internal support services are transferred to the different departments. The internal support services are calculated at approximately 2% of expenditure, spread across the various departments with differing percentage charges per department.

## **10. Investments**

Investments are shown at cost and are in securities prescribed in Section 125 of Ordinance 25 of 1974. They are considered to be risk-free.



## **11. Income Recognition**

### **11.1 Assessment Rates**

Assessment rates are levied on land and buildings and are billed both annually and monthly.

11.2. Electricity is charged based on monthly consumption. Refuse Removal is charged based on a monthly tariff as per the Tariff of Charges. Other income such as Grass cutting, Business refuse, Robot repairs is billed each month based on consumption.

## **12. Leased Assets**

Fixed assets held under finance leases are capitalized. Such assets are effectively amortized over the term of the lease agreement. Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilized in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged against the operating income on a monthly basis.

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**BALANCE SHEET AT 30 JUNE 2007**

		2007	2006
	NOTE	R	R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES			
Statutory Funds	1	13,627,041	13,304,073
(ACCUMULATED DEFICIT)/RETAINED INCOME	16	<u>13,374,259</u>	<u>10,148,230</u>
		27,001,300	23,452,303
TRUST FUNDS			
Grants and subsidies	2	4,057,819	2,687,738
Flood Relief Fund		0	2,159
LONG TERM LIABILITIES	3	6,784,340	6,050,620
CONSUMER DEPOSITS	4	923,839	851,137
		<u><b>38,767,298</b></u>	<u><b>33,043,957</b></u>
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	5	2,831,930	6,393,696
INVESTMENTS	6	1,491,214	1,489,260
LONG TERM DEBTORS	7	<u>455,828</u>	<u>759,041</u>
		<b>4,778,973</b>	<b>8,641,997</b>
<b>NET CURRENT ASSETS</b>		<b>33,988,326</b>	<b>24,401,960</b>
CURRENT ASSETS		<u>41,008,790</u>	<u>33,194,961</u>
Inventory	8	168,038	134,835
Debtors	9	35,622,897	30,828,080
Short term portion of long term debtors	7	667,493	917,866
Cash	22	<u>4,550,362</u>	<u>1,314,180</u>
CURRENT LIABILITIES		<u>7,020,464</u>	<u>8,793,001</u>
Provisions	11	1,129,564	1,259,881
Creditors	10	5,687,119	5,986,402
Short term portion of long term liabilities	3	<u>203,781</u>	<u>1,546,718</u>
		<u><b>38,767,298</b></u>	<u><b>33,043,958</b></u>

0

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2006		
Actual Income	Actual Expenditure	Surplus/ (Deficit)

R R R

40,626,214 45,232,002 (4,605,788)

34,926,648	36,075,263	(1,148,615)
879,621	2,428,103	(1,548,482)
4,819,945	6,728,636	(1,908,691)

429,964 7,232 422,732

429,964 7,232 422,732

5,449,991 4,575,986 874,006

5,449,991 4,575,986 874,006

46,506,169 49,815,220 (3,309,050)

**RATE AND GENERAL SERVICES**

Community services  
Subsidised Services  
Economic Services

**HOUSING**

Housing

**TRADING SERVICES**

Electricity

**TOTAL**

5,081,452 Appropriations for the year

1,772,442 Net surplus/ (deficit) for the year

8,375,788 Accumulated surplus (deficit)beginning of the year

10,148,230 Accumulated surplus/(deficit) end of the year

2007			
Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)

R R R R

46,946,521 44,992,627 1,953,893 (94,050)

40,729,947	36,981,121	3,748,826	3,977,830
1,183,987	3,795,226	(2,611,239)	(4,232,660)
5,032,587	4,216,280	816,307	160,780

431,887 0 431,887 424,570

431,887 0 431,887 424,570

5,389,328 4,529,903 859,425 (330,520)

5,389,328 4,529,903 859,425 (330,520)

52,767,736 49,522,530 3,245,206 0

16 (19,177)

3,226,029

16 10,148,230

16 13,374,259

(Refer to appendix D and E for more details)

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

		2007	2006
	NOTE	R	R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>17,611,430</b>	<b>3,400,139</b>
Cash generated by operations	17	12,627,733	14,145,999
Investment income	15	1,056,897	589,053
(Increase) / decrease in working capital	18	(10,056,446)	(11,996,023)
		3,628,185	2,739,030
Less : External interest paid	15	(1,259,376)	(1,398,079)
Cash available from operations		<b>2,368,809</b>	<b>1,340,951</b>
Cash contributions from the public and State	App.C	13,704,221	1,668,802
Net proceeds on disposal of fixed assets	App.A	1,538,400	390,386
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(13,764,076)</b>	<b>(1,515,482)</b>
Investment in fixed assets	5	(13,764,076)	(1,515,481)
<b>NET CASH FLOW</b>		<b><u>3,847,354</u></b>	<b><u>1,884,658</u></b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase/ (Decrease) in long-term loans (external)	19	(609,218)	(1,504,712)
Increase/ (Decrease) in short-term loans (external)	20	0	0
(Increase)/Decrease in cash investments	21	(1,954)	(1,684)
(Increase)/ Decrease in cash	22	(3,236,182)	(378,262)
<b>NET CASH GENERATED</b>		<b><u>(3,847,354)</u></b>	<b><u>(1,884,658)</u></b>

The comparative figures were amended subsequent to the 2006 Audit

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>1 STATUTORY FUNDS</b>		
Consolidated Capital Development Fund	6,608,725	5,011,055
Loan Redemption Fund	110,554	110,388
Public Improvement Fund	6,278,340	7,553,207
Housing Fund	629,423	629,423
	<b>13,627,041</b>	<b>13,304,073</b>

(Refer to Appendix A for more detail)

**2 TRUST FUNDS  
Grants and subsidies**

KZN Ezemvelo Wildlife Projects	0	0
Provincial grant - Development Planning/Capacity Bldg	78,853	424,686
Provincial grant - Municipal Assistance Programme	593,115	494,009
Provincial grant - Interdepartmental Monitoring	9,490	60,000
Provincial grant - Property Rates	100,000	144,000
Provincial grant - MFMA	100,000	100,000
CDW Grant	47,708	53,170
Seta Grant	(0)	4,867
Public Participation Grant	250,000	(0)
Gijima Grant	(0)	(0)
Web Site Grant	0	40,000
National grant - Finance Management grant	286,789	385,173
Municipal Systems Infrastructure grant /PMS	0	22,334
Agricultural grant	0	67,466
Provincial grant - Geographical Information Systems	149,931	164,245
Sport and Recreation Grant	700,000	(0)
National grant - Land Use Management System	117,065	145,749
Municipal Infrastructure Grant (MIG)	241,714	0
Municipal Infrastructure Grant (MIG)- Ilembe	(780)	382,039
Housing Projects	1,194,465	200,000
Mandeni Sports Trust	39,470	0
Electricity Grant	150,000	
	<b>4,057,819</b>	<b>2,687,739</b>

(Refer to Appendix A for more detail)

**MANDENI MUNICIPALITY  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>3 LONG TERM LIABILITIES</b>		
Annuity loans	1,288,120	1,897,338
Fixed period loans	5,700,000	5,700,000
	6,988,120	7,597,338
Less: Current portion transferred to short term liabilities	203,781	1,546,718
Annuity loans	203,781	1,546,718
	<b>6,784,340</b>	<b>6,050,620</b>

(Refer to Appendix B for more detail on long term liabilities)

**ANNUITY LOANS**

These were advanced by the Development Bank of South Africa for electrical reticulation in Mandeni. They bear interest at 15.82 % p.a. and will be fully repaid by June 2013.

**FIXED PERIOD LOANS**

The loan of R 5 700 000 was raised from INCA at an interest rate of 17.5 % and is repayable on 25 March 2009. A cession of a zero coupon bond investment having a value on maturity equal to the loan value raised with Investec Bank. A cession and pledge of claims and rights against income streams earned from Sappi Kraft Ltd and Ithala Bank Ltd has been granted to INCA. Security for the loan has been issued by Investec Bank Ltd in the form of a Zero Coupon Bond with a guaranteed maturity value equal to the loan value and has been ceded to INCA. The market value of the zero coupon bond at 30 June 2007 was R4 432 007 (2006 : R 3 833 378).

**4 CONSUMER DEPOSITS**

Electricity	923,839	851,137
	<b>923,839</b>	<b>851,137</b>
Council does not have any guarantees in lieu of deposits		

**5 FIXED ASSETS**

Fixed assets at the beginning of the year	34,008,311	37,738,490
Capital outlay during the year	13,764,076	1,515,481
Less: assets written off, transferred or disposed of during the year	(3,534,205)	(5,245,660)
<b>Total fixed assets</b>	<b>44,238,182</b>	<b>34,008,311</b>
Less: loans redeemed and other capital receipts	(41,406,253)	(27,614,616)
<b>Net fixed assets</b>	<b>2,831,929</b>	<b>6,393,695</b>

(Refer to Appendix C for more detail on fixed assets)

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>6 INVESTMENTS</b>		
Unlisted:		
Long term deposits	1,491,214	1,489,260
<b>Total investments</b>	<b>1,491,214</b>	<b>1,489,260</b>
Management's valuation of unlisted investments	<b>4,432,007</b>	<b>3,899,841</b>

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a premium rate to meet commitments.

An investment of R 1 422 797 was made with Investec Bank Ltd who has guaranteed a maturity value in 25 March 2009 of R 5 700 000 and have issued a promisory note in favour of INCA to secure this loan. The value of this investment at 30 June 2007 is R4 432 007 (2006 : R 3 833 378) The investment is long term, unlisted and has been ceded to INCA. The loan is owing to INCA.(Refer to Annexure B)

Council has one investments with Standard Bank to the value of R21 180 and two investments with Mercantile Bank to the value of R47 237.

**7 LONG TERM DEBTORS**

Miscellaneous loans	1,123,321	1,676,906
Less: Short term portion	(667,493)	(917,865)
	<b>455,828</b>	<b>759,041</b>

**8 INVENTORY**

Consumable stores, raw materials, work in progress and finished goods	168,038	134,835
	<b>168,038</b>	<b>134,835</b>

**9 DEBTORS**

Consumer debtors	55,784,099	45,791,351
Less provision for doubtful debts	(26,287,495)	(20,732,064)
Net trade debtors	29,496,603	25,059,287
Housing Debtors	5,462,825	4,987,053
Miscellaneous debtors	610,979	689,192
Staff debtors	50,988	92,547
Amounts paid in advance	1,500	0
	<b>35,622,897</b>	<b>30,828,079</b>

\* The Housing Debtors relate to the Highview Park Housing Scheme which has been taken over from uMsekeli Municipal Support Services and brought to account as at 1 July 2005

Debtors written off during the year	Nil	Nil
% of debtors to total operating income	106%	98%
Average collection days	654	619

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>10 CREDITORS</b>		
Trade creditors	2,968,271	2,806,864
VAT	1,349,382	1,335,197
Deposits - Other	1,126,887	1,074,950
Other	242,578	769,390
	<u>5,687,119</u>	<u>5,986,400</u>
<b>11 PROVISIONS</b>		
Leave pay	1,129,564	1,259,881
	<u>1,129,564</u>	<u>1,259,881</u>
<b>12 ASSESSMENT RATES</b>		
Rateable site valuation at 01 July 2006		
Mandeni		
Rateable	68,365,400	67,898,900
Non - rateable	5,828,900	6,047,900
Total site valuation at 01 July 2006	<u>74,194,300</u>	<u>73,946,800</u>
Basic rate	c/R	c/R
Mandeni		
Land	21.247	20.24
Rates income		
General	<u>13,841,618</u>	<u>13,157,081</u>

A revaluation of all properties in the Mandeni area was undertaken and a common valuation roll produced for the whole area. These valuations applied to rates raised as from 1 July 1997. The fixed date for valuations is 1 March 1997.

Areas in Mandeni that were not previously rated, except for the Sundumbili area, became rateable on 5 December 1996. A 50% rebate was granted for the first year of assessment. This rebate was being phased out at 10% per year until such time as the areas become fully rateable in the 2003/2004 financial year.

Valuations of land and buildings in respect of the Tugela Mouth area are performed every five years. The last general valuation came into effect on 1 April 1998.

The valuation for the 2006/2007 financial year was performed on 01 July 2006

Rebates were granted for those who qualify in respect of:

Agriculture	50%	50%
Pensioners	20%	20%
Rural residential	50%	50%
Large properties	50%	50%
Residential	5%	5%
Special early settlement - residential	10%	10%
Special early settlement - other	5%	5%
Areas not previously rated - Sundumbili	10%	10%



**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>13 COUNCILLORS' REMUNERATION</b>		
Councillor's allowances	2,841,169	1,444,463
Executive committee allowances	756,628	370,745
Executive committee chairperson's allowance	0	0
Mayor's allowance	252,268	126,452
Speaker / other allowances	360,071	157,644
Deputy Mayor	201,774	97,069
Other Allowances ( travel,housing and cellphone)	264,197	685,417
	<u>4,676,107</u>	<u>2,881,791</u>
In-kind benefits		
The Speaker is the only councillor who is full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of the Council		
The Mayor is entitled to stay at the mayoral residence owned by Council at no cost, but does not utilise this facility, The Mayor and Speaker have the use of a Council owned vehicle for official duties.		
<b>14 AUDITOR'S REMUNERATION</b>		
Audit fee	573,909	538,016
	<u>573,909</u>	<u>538,016</u>
<b>15 FINANCE TRANSACTIONS</b>		
Total external interest earned	<u>1,056,897</u>	<u>589,053</u>
Total external interest paid	<u>1,259,376</u>	<u>1,398,079</u>
Capital charges debited to operating account:		
Interest : External	1,259,376	1,398,079
Interest : Internal	50,721	65,719
Redemption : External	609,218	1,504,712
Redemption : Internal	137,308	144,661
	<u>2,056,622</u>	<u>3,113,172</u>

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>16 APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Retained Income/(Accumulated deficit) at the beginning of the year	10,148,229	8,375,788
Operating surplus / (deficit) for the year	3,245,206	(3,309,050)
Appropriations for the year	(19,177)	5,081,491
Prior year adjustments	(19,177)	592,460
- other		4,489,032
Retained Income/(Accumulated deficit) at the end of the year	<b>13,374,258</b>	<b>10,148,229</b>
 Details of Prior Year adjustments:		
PWD Audit query	4,729	
Acc 8803761	(132)	
Internal Audit fees	(19,333)	
JS Mfeka	(3,051)	
Rent received SZ Zondi	(3,500)	
WSSA Acc	(2,675)	
Payment prior 2005	(21,200)	
Rec: Sundumbili Plaza	34,523	
Outstanding deposits written off	(8,538)	
	<b>(19,177)</b>	
 <b>Operating account</b>		
Capital expenditure	59,855	1,247,820
Contributions to Capital Development Fund	1,574,365	759,647
Contributions to provisions :	6,161,254	8,747,456
Bad debts	5,555,431	7,746,080
Reserves	250,000	0
Leave pay	355,823	1,001,376
	<b>7,795,475</b>	<b>10,754,924</b>

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>17 CASH GENERATED BY OPERATIONS</b>		
Operating surplus for the year	3,245,206	(3,309,050)
Adjustments in respect of:		
Previous years' operating transactions	(19,177)	5,081,492
Appropriations charged against income	7,795,475	10,754,924
Capital Development Fund	1,574,365	759,647
Contributions to provisions and reserves	6,161,254	8,747,456
Contributions to fixed assets	59,855	1,247,820
Capital charges:	2,056,622	3,113,171
Interest paid:		
- to internal fund	50,721	65,719
- on external loans	1,259,376	1,398,079
- on LRF		
Redemption:		
- of internal advances	137,308	144,661
- of external loans	609,218	1,504,712
Expenditure charged against:		
- Provisions and Reserves	(34,498,297)	
Housing Interest income (operating account)		(485,904)
Interest Income(operating Account)	(1,082,175)	(589,053)
Net income from land sales		(526,680)
Other Income		(1,542,196)
Income charged against:		
- Provisions and Reserves	35,130,078	
Expenditure charged against		1,649,296
- Current Expenditure on grants		1,622,327
- Insurance		26,969
	<b>12,627,733</b>	<b>14,146,000</b>
The comparative figures were amended subsequent to the 2006 Audit		
<b>18 (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase)/decrease in inventory	(33,203)	38,777
(Increase)/decrease in debtors	(10,099,875)	(11,522,796)
(Increase)/decrease in long term debtors	303,213	(590,446)
Increase/(decrease) in creditors	(299,283)	13,521
Increase/(decrease) in consumer deposits	72,702	64,922
	<b>(10,056,446)</b>	<b>(11,996,023)</b>
<b>19 INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)</b>		
Loans raised	0	0
Loans repaid	(609,218)	(1,504,712)
	<b>(609,218)</b>	<b>(1,504,712)</b>
<b>20 INCREASE / (DECREASE) IN SHORT TERM LOANS (EXTERNAL)</b>		
Loans raised	0	0
Loans repaid	0	0

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>21 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investments realised	(1,954)	(1,684)
	<u>(1,954)</u>	<u>(1,684)</u>
<b>22 (INCREASE)/DECREASE IN CASH ON HAND</b>		
Cash balance : beginning of year	1,314,180	935,918
Less Cash balance : end of year	4,550,362	1,314,180
	<u>3,236,182</u>	<u>378,262</u>
The municipality has the following bank accounts:		
First National Bank - Mandeni branch		
Account Number: 52940480587	1,310,450	932,187
Cash book balance at beginning of year	4,544,635	1,310,450
Cash book balance at end of year		
Bank Statement Balance at beginning of year	856,743	396,469
Bank Statement Balance at end of year	84,392	856,743
Savings Accounts		
First National Bank - Mandeni branch		
Account Number: 62028673219 (Housing)	2,094,290	1,170,797
Account Number: 61294217372 (Grants)	2,734,518	795,778
Account Number: 62138398327 (Camera/MIG)	489,192	
Account Number: 62036865246 (Flood Relief)	2,204	

**23 RETIREMENT BENEFITS**

Employees belong to the following funds within the Natal Joint Municipal Pension Fund which provide retirement benefits to such employees:

- Natal Joint Municipal Pension Fund (retirement)
- Natal Joint Municipal Pension Fund (superannuation)
- Natal Joint Municipal Pension Fund (provident)

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years. An Interim Valuation was conducted of the Fund as at 31 March 2006 indicated that the Superannuation Fund was 104.3% funded and that the funding level improved from 85.8% to 95%. However, an increase in the surcharge from 3% of 6% will be implemented from 1 July 2006 to 30 June 2008. The Retirement Fund ended the year with a deficit and was 87.7% funded, but the funding level has improved from 80.5% to 87.7% and will implement a 14% surcharge from 1 July 2007 to 30 June 2010. The Provident Fund assets were sufficient to cover the members share account and to provide reserves of R46.638 million. As the final retirement benefits payable to members are determined solely by the contributions paid to the fund, together with investment earnings thereon, the Municipality has no unfunded liabilities.

Councillors belong to the Councillors Pension Fund.

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>24 EMPLOYEE RELATED COSTS</b>		
<b>Remuneration to Municipal Manager</b>		
Annual remuneration	398,319	361,623
Performance Bonuses	27,560	95,000
Car Allowance	121,184	96,473
Housing allowance	34,316	37,800
Contributions to Pension, Medical Aid, UIF	40,741	54,940
Total	<u>622,120</u>	<u>645,836</u>
<b>Remuneration to Chief Financial Officer</b>		
Annual remuneration	336,829	216,050
Performance Bonuses	22,966	0
Car Allowance	122,842	140,530
Housing allowance	0	0
Contributions to Pension, Medical Aid, UIF	1,399	1,075
Total	<u>484,036</u>	<u>357,655</u>
<b>Remuneration of Individual Directors 30 June 2007</b>		
<b>Corporate Services</b>		
Annual remuneration	291,325	267,909
Performance Bonuses	27,560	26,000
Car Allowance	147,510	138,386
Housing allowance	0	0
Contributions to Pension, Medical Aid, UIF	24,907	22,050
Total	<u>491,302</u>	<u>454,345</u>
<b>Community Services</b>		
Annual remuneration	24,696	263,087
Performance Bonuses	0	30,000
Car Allowance	8,022	101,870
Housing allowance	0	28,850
Contributions to Pension, Medical Aid, UIF	117	33,080
Total	<u>32,835</u>	<u>456,887</u>
<b>Technical Services</b>		
Annual remuneration	0	
Performance Bonuses	0	
Car Allowance	0	
Housing allowance	0	
Contributions to Pension, Medical Aid, UIF	0	
Total	<u>0</u>	
<b>25 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
Approved and contracted for	<u>932,205</u>	<u>0</u>
	<u>932,205</u>	<u>0</u>
This expenditure will be financed from:		
Internal sources	0	0
External sources	932,205	0
- Provincial government		0
- Other	<u>932,205</u>	<u>0</u>
	<u>932,205</u>	<u>0</u>

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>26 CONTINGENT ASSETS</b>		
New Republic Bank Investment - written off	0	537,873
	<u>0</u>	<u>537,873</u>
A final pay out has been proposed at 35c/R, which will result in a recovery of some of the balance written off. However due to the lodgement of the objection, the dividends are not recoverable.		
<b>27 CONTINGENT LIABILITIES</b>		
Claim against Brighton Drakewoods & Associates	0	86,466
Litigation - claim by P Biyela	0	45,580
Litigation for the recovery of monies from a former Councillor	0	20,000
Litigation against the municipality on contract termination	0	3,000,000
	<u>0</u>	<u>3,152,046</u>
<b>28 CAPITAL DEVELOPMENT FUND</b>		
Outstanding advances to borrowing services :		
Accumulated fund	6,608,725	5,011,055
Temporary borrowings	(4,698,390)	(4,544,964)
(Refer to appendices A and B for more detail)	<u>335,969</u>	<u>466,091</u>
<b>29 LOAN REDEMPTION FUND</b>		
Outstanding advances to borrowing services		
Accumulated fund	110,554	110,388
Less : Temporary Borrowings	(109,819)	(109,409)
(See appendix B for more detail)	<u>735</u>	<u>979</u>
<b>30 PUBLIC IMPROVEMENT FUND</b>		
Outstanding advances to borrowing services		
Accumulated fund	6,278,340	7,553,207
Temporary borrowings	(5,421,768)	(3,279,207)
Less : Investments	0	(2,815,241)
Land and development expenses	(839,828)	(1,435,074)
Debtors		
(See appendix B for more detail)	<u>16,743</u>	<u>23,685</u>
<b>31 PARTICULARS OF LOSSES OR ANY MATERIAL, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE, UNAUTHORISED EXPENDITURE AND IF RECOVERABLE</b>		101,086
<b>32 PARTICULARS OF NON-COMPLIANCE</b>	NIL	NIL
<b>33 CONTRACTUAL OBLIGATIONS</b>		
Housing Development at Hlomendlini - Funds ex Dept of Housing	<u>0</u>	<u>0</u>

**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**APPENDIX A**

**STATUTORY FUNDS AND GRANT FUNDS RESERVE**

	Balance at 1/07/06	Contributions during the year	Interest on investments	Other income	Capital Expenditure during the year	Operating Expenditure during the year	Balance at 30/06/07
	R	R	R	R		R	R
<b>ACCUMULATED FUNDS</b>							
Consolidated Capital Development Fund	5,011,055	1,574,365	23,305				6,608,725
Loan redemption fund	110,388		166				110,554
Public Improvement Fund	7,553,207		1,973	1,538,400		2,815,240	6,278,340
Housing Fund	629,423						629,423
	<b>13,304,073</b>	<b>1,574,365</b>	<b>25,443</b>	<b>1,538,400</b>	<b>0</b>	<b>2,815,240</b>	<b>13,627,041</b>
<b>GRANT FUNDS RESERVE</b>							
<b>Grants and subsidies</b>							
Provincial grant - Development Planning/Capacity Bldg	424,686					345,834	78,853
Provincial grant - Municipal Assistance Programme	494,009			500,000		400,894	593,115
Provincial grant - Interdepartmental Monitoring	60,000					50,510	9,490
Provincial grant - Property Rates	144,000	100,000				144,000	100,000
Provincial grant - MFMA	100,000						100,000
CDW Grant	53,170					5,462	47,708
Seta Grant	4,867					4,867	(0)
Public Participation Grant	(0)			250,000			250,000
Gijima Grant	(0)			57,960		57,960	(0)
Web Site Grant	40,000					40,000	0
National grant - Finance Management grant	385,173			500,000		598,384	286,789
Municipal Systems Infrastructure grant /PMS	22,334					22,334	0
Agricultural grant	67,466			492,399		559,865	0
Provincial grant - Geographical Information Systems	164,245					14,314	149,931
Sport and Recreation Grant	(0)			700,000			700,000
National grant - Land Use Management System	145,749					28,684	117,065
Municipal Infrastructure Grant (MIG)	0			13,786,409	13,544,695		241,714
Municipal Infrastructure Grant (MIG)- Ilembe	382,039					382,819	(780)
Housing Projects	200,000			18,803,840	17,809,375		1,194,465
Mandeni Sports Trust				39,470			39,470
Electricity Grant		150,000					150,000
	<b>2,687,738</b>	<b>250,000</b>	<b>0</b>	<b>36,130,078</b>	<b>31,354,070</b>	<b>2,655,926</b>	<b>4,057,819</b>
	<b>15,991,811</b>	<b>1,824,365</b>	<b>25,443</b>	<b>36,668,478</b>	<b>31,354,070</b>	<b>5,471,166</b>	<b>17,684,860</b>

**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**APPENDIX B**

**EXTERNAL LOANS AND INTERNAL ADVANCES**

	Loan Number	Interest Rate	Date issued	Date redeemable	Balance at 01/07/2006	New loans	Redeemed during the year	Balance at 30/06/2007
		%			R	R	R	R
<b>EXTERNAL LOANS</b>								
<u>Annuity Loan</u>								
Development Bank of SA	1	15.82	30/06/1989	30/06/2009	576,943		163,902.89	413,040
Development Bank of SA	2	15.82	31/12/1990	31/12/2010	300,105		50,160.86	249,944
Development Bank of SA	3	15.82	31/12/1991	31/12/2011	417,802		52,449.90	365,352
Development Bank of SA	4	15.82	31/12/1991	31/12/2011	131,309		16,484.29	114,824
Development Bank of SA	5	15.82	31/12/1993	31/12/2013	158,679		13,719.69	144,960
Umsekele		12.00	01/10/2002	30/09/2005	312,500		312,500	0
					1,897,338	0	609,218	1,288,120
<u>Fixed term loans</u>								
INCA		17.50	30/06/2002	25/03/2009	5,700,000			5,700,000
					5,700,000	0	0	5,700,000
<b>TOTAL EXTERNAL LOANS</b>					<b>7,597,338</b>	<b>0</b>	<b>609,218</b>	<b>6,988,120</b>
<b>INTERNAL ADVANCES TO BORROWING SERVICES</b>								
<u>Internal Loans</u>								
Consolidated Capital Development Fund					466,091		130,122	335,969
Loan Redemption Fund					979		244	735
Public Improvement Fund					23,685		6,942	16,743
					<b>490,755</b>		<b>137,308</b>	<b>353,447</b>
<u>Temporary Borrowings</u>								
Consolidated Capital Development Fund					4,544,964	153,426		4,698,390
Public Improvement Fund					3,279,207	2,142,561		5,421,768
Loan Redemption Fund					109,409			109,409
					7,933,581	2,295,987	0	10,229,568
					<b>8,424,335</b>	<b>2,295,987</b>	<b>137,308</b>	<b>10,853,015</b>



**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**APPENDIX C**

**ANALYSIS OF FIXED ASSETS**

2006 Acquisitions		Budget acquisitions	Opening balance at 01/07/2006	Acquisitions	Disposals	Balance at 30/06/2007
R		R	R	R	R	R
<b>RATE AND GENERAL SERVICES</b>						
1,243,508	Community services	0	27,191,839	13,764,076	(718,965)	40,236,950
231,368	Management services		3,319,448	181,491		3,500,939
949,312	Municipal Buildings		10,819,507		(718,965)	10,100,542
23,859	Protection services		193,555	37,890		231,445
38,969	Public works		2,928,769			2,928,769
	Roads and sidewalks		9,930,560	13,544,695		23,475,255
141,073	Subsidised Services	0	176,834	0	0	176,834
59,643	Health services		59,643			59,643
81,430	Library		88,103			88,103
	Public swimming pool		29,088			29,088
0	Economic Services		0	0	0	0
	Solid Waste & Parks		0			0
<b>1,384,581</b>		<b>0</b>	<b>27,368,673</b>	<b>13,764,076</b>	<b>(718,965)</b>	<b>40,413,784</b>
<b>TRADING SERVICES</b>						
130,900	Electricity	0	3,824,399		0	3,824,399
			3,824,399			3,824,399
<b>130,900</b>		<b>0</b>	<b>3,824,399</b>	<b>0</b>	<b>0</b>	<b>3,824,399</b>
<b>PUBLIC IMPROVEMENT FUND</b>						
0	Other	0	2,815,240	0	(2,815,240)	0
		0	2,815,240		(2,815,240)	0
<b>0</b>		<b>0</b>	<b>2,815,240</b>	<b>0</b>	<b>(2,815,240)</b>	<b>0</b>
<b>1,515,481</b>	<b>TOTAL FIXED ASSETS</b>	<b>0</b>	<b>34,008,312</b>	<b>13,764,076</b>	<b>(3,534,205)</b>	<b>44,238,183</b>
<b>LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>						
	Loans redeemed		(12,572,785)	(746,525)	654,319	(12,664,992)
	Contributions from current income		(728,751)	(59,855)		(788,606)
	Insurance claims		(145,515)			(145,515)
	Surplus on sale of assets		(111,443)			(111,443)
	Grants and subsidies received		(11,577,709)	(13,704,221)	64,647	(25,217,284)
	Public contributions		(2,299,087)			(2,299,087)
	Contributions ex head office		(80,861)			(80,861)
	Contributions ex beach facilities		(86,631)			(86,631)
	Road reserve fund		(11,834)			(11,834)
<b>0</b>	<b>TOTAL LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>0</b>	<b>(27,614,616)</b>	<b>(14,510,602)</b>	<b>718,965</b>	<b>(41,406,253)</b>
<b>1,515,481</b>	<b>NET FIXED ASSETS</b>		<b>6,393,696</b>	<b>(746,525)</b>	<b>(2,815,240)</b>	<b>2,831,930</b>

**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**APPENDIX D**

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2007**

2006 Actual		2007 Actual	2007 Budget
R		R	R
<b>INCOME</b>			
20,517,442	Government grants and subsidies	23,436,822	23,312,850
17,995,500	Equitable share	20,834,261	20,870,000
0	Transition Fund (LGTF)	0	0
0	Local Economic Development	57,960	0
171,326	Grants - other	157,750	
2,350,616	Provincial grants	2,386,851	2,442,850
24,913,770	Operating Income	27,998,748	27,738,600
13,157,081	Assessment rates	13,841,618	13,748,580
3,994,172	Sale of electricity	4,484,706	5,000,000
0	Sale of water	0	0
7,762,518	Other services	9,672,424	8,990,020
589,053	Interest Earned	1,082,175	536,000
485,904	Other income	249,992	90,000
<b>46,506,170</b>	<b>TOTAL INCOME</b>	<b>52,767,736</b>	<b>51,677,450</b>
<b>OPERATING EXPENDITURE</b>			
17,482,186	Salaries and allowances	18,289,313	21,365,730
15,570,149	General expenses	19,151,397	24,149,310
1,507,621	Repairs and maintenance	2,229,724	1,957,850
3,113,171	Capital charges	2,056,622	2,162,060
876,254	Contributions to fixed assets	59,855	2,042,500
371,566	Contributions to fixed assets ex grants	0	
1,387,170	Contributions to Grant Reserve	250,000	0
759,647	Contribution to Capital Development Fund	1,574,365	0
7,746,080	Contribution to Bad Debts	5,555,431	0
1,001,376	Contribution to Leave	355,823	0
<b>49,815,220</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>49,522,530</b>	<b>51,677,450</b>
<b>(3,309,050)</b>	<b>NET SURPLUS/(DEFICIT)</b>	<b>3,245,206</b>	<b>0</b>

**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007**

**APPENDIX E**

**OPERATING ACCOUNT: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2006 Actual income	2006 Actual expenditure	2006 Actual Surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 Actual Surplus/ (deficit)	2007 Budget Surplus/ (deficit)
R	R	R		R	R	R	R
<b>40,626,214</b>	<b>45,232,002</b>	<b>(4,605,788)</b>	<b>RATE AND GENERAL SERVICES</b>	<b>46,946,521</b>	<b>44,992,627</b>	<b>1,953,893</b>	<b>(94,050)</b>
34,926,648	36,075,263	(1,148,615)	<u>Community services</u>	40,729,947	36,981,121	3,748,826	3,977,830
559,874	7,626,885	(7,067,011)	Council's general expenses	1,378,500	6,218,049	(4,839,549)	(5,458,790)
786,213	3,330,333	(2,544,120)	Administration	954,012	5,604,124	(4,650,112)	(6,768,990)
18,327,920	12,973,619	5,354,302	Finance	21,216,622	13,719,428	7,497,194	27,610,280
13,157,081		13,157,081	Assessment Rates	13,841,618		13,841,618	
1,200,000	649,452	550,548	Local Economic Development	1,682,561	400,029	1,282,532	(273,590)
205,024	2,302,834	(2,097,810)	Social Services	225,723	1,932,614	(1,706,892)	(2,513,970)
96,000	408,760	(312,760)	Safety & Security	1,311,611	3,338,668	(2,027,056)	(2,171,800)
423,717	3,169,075	(2,745,358)	Roads	0	2,127,470	(2,127,470)	(2,958,530)
0	1,972,725	(1,972,725)	Buildings	119,300	1,669,183	(1,549,882)	(1,520,510)
170,819	1,826,482	(1,655,663)	Municipal Maintenance	0	1,971,556	(1,971,556)	(1,966,270)
0	1,815,097	(1,815,097)					
879,621	2,428,103	(1,548,482)	<u>Subsidised services</u>	1,183,987	3,795,226	(2,611,239)	(4,232,660)
21,364	683,463	(662,099)	Cemetery	5,688	134,530	(128,842)	(136,790)
846,925	1,350,146	(503,221)	Public Library	21,646	575,408	(553,762)	(960,150)
11,332	394,494	(383,162)	Health Services	1,148,551	1,184,654	(36,102)	(758,230)
			Parks and Gardens	0	1,563,388	(1,563,388)	(1,923,900)
			Public Swimming Pool	8,101	337,245	(329,144)	(453,590)
4,819,945	6,728,636	(1,908,691)	<u>Economic services</u>	5,032,587	4,216,280	816,307	160,780
4,819,945	6,728,636	(1,908,691)	Refuse removal	5,032,587	4,216,280	816,307	160,780
429,964	7,232	422,732	<b>HOUSING</b>	431,887	0	431,887	424,570
429,964	7,232	422,732	Housing	431,887	0	431,887	424,570
5,449,991	4,575,986	874,006	<b>TRADING SERVICES</b>	5,389,328	4,529,903	859,425	(330,520)
5,449,991	4,575,986	874,006	Electricity	5,389,328	4,529,903	859,425	(330,520)
<b>46,506,169</b>	<b>49,815,220</b>	<b>(3,309,050)</b>	<b>TOTAL FOR THE YEAR</b>	<b>52,767,736</b>	<b>49,522,530</b>	<b>3,245,206</b>	<b>0</b>
	5,081,492		Appropriations for the year	16		(19,177)	
	<b>1,772,442</b>		<b>Net surplus/(deficit) for the year</b>			<b>3,226,029</b>	
	8,375,788		Accumulated surplus/ (deficit) at beginning of the year	16		10,148,230	
	<b>10,148,230</b>		<b>Accumulated surplus/ (deficit) at end of the year</b>	16		<b>13,374,260</b>	

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007**

**APPENDIX F**

**STATISTICAL INFORMATION**

		2007	2006
<b>GENERAL STATISTICS</b>			
Population		128,669	128,669
Registered Voters		56,162	56,162
Area (km <sup>2</sup> )			
Total Valuations:	Taxable	68,365,400	67,898,900
	Non-Taxable	5,828,900	6,047,900
	Residential		
	Commercial		
Valuation date:	01 July 2004		
Number of properties:	Residential		
	Commercial		
Assessment rate:	Basic (per Rand)	21.24700	20.235
	Rebate : residential	5%	5%
Number of employees		154	170
Number of Councillors		32	32
<b>ELECTRICITY STATISTICS</b>			
Electricity is supplied by ESKOM in all areas other than Mandeni town			
Bulk electricity supplied by Eskom			
Kwh purchased	per month	1,086,681	979,955
Kwh sold	per month	944,479	952,086
Kwh lost in distribution		142,202	27,869
Percentage lost in distribution			
Cost per Kwh sold			1.085c/kwh
Income per Kwh sold			3.047c/kwh
Free basic electricity commenced by Eskom during 2004/2005			
No of households receiving free basic electricity		800	735
<b>REFUSE REMOVAL</b>			
Domestic/business Refuse removed		12660m <sup>3</sup>	9480m <sup>3</sup>
No of loads removed per annum			0
No of domestic properties serviced			0
No of commercial properties serviced			0
No of domestic properties receiving rebate			
Service contracted out, including disposal			
Garden Refuse Removed		1170m <sup>3</sup>	1350m <sup>3</sup>
<b>BUILDING PLANS PASSED</b>			
Mandini	37	R 11,678,044.00	35 R 7,360,600
Sundumbili	23	R 7,023,728.00	22 R 2,613,540
Tugela/Newark	4	R 280,424.00	5 R 800,000
Tugela Mouth	0	R 0.00	5 R 630,400
Minor Works		Incl in above	Incl in above
<b>OTHER</b>			
Kms Verges cut including Open Spaces, Sportsfields and Municipal Gardens		246584m <sup>3</sup>	3132876m <sup>3</sup>

**EXTRACT FROM THE MINUTES OF COUNCIL SPECIAL MEETING HELD ON THURSDAY, 31 JANUARY 2008 IN THE COMMUNITY HALL OF THE MUNICIPAL OFFICES, 2 KINGFISHER ROAD, MANDENI AT 15:05**

**C 18**

**COUNCIL : 31/01/08**

**ANNUAL REPORT (2006/2007)**

On a proposal by Cllr. BL Magwaza, seconded by Cllr. DM Shandu, it was

**RESOLVED**

THAT the Annual Report for 2006/2007 financial year be adopted.

# ***ANNUAL FINANCIAL STATEMENTS***



**MANDENI MUNICIPALITY**

**FOR THE YEAR ENDED**

**30 JUNE 2007**

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## GENERAL INFORMATION

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## MEMBERS OF THE COUNCIL

Mayor	: Councillor B.L. Magwaza
Deputy Mayor	: Councillor J Singh
Speaker	: Councillor Z P Makhoba
Chairman of the Executive Committee	: Councillor B L Magwaza
Members of the Executive Committee	: Councillor D M Shandu
	: Councillor N. Reddy
	: Councillor B P Mngadi
	: Councillor D M Maphumulo

### Senior Officials

Municipal Manager	: M.B. Ngubane	
Chief Financial Officer	: M J Pearson (Mrs.)	:
Director: Corporate Services and LED	: N.G. Kumalo	
Director: Service Delivery	: Vacant	
Director: Technical Services	: M. Sewdular	
Manager: Corporate Services	: NN Mhlungu	
Manager: Community Services	: N Mncwango (Mrs.)	
Manager: Financial Services	: M Doorasamy	
Manager: IDP	: S Khanyile	
Head Public Safety	: R Heslop	

## GRADING OF MUNICIPALITY

## NUMBER OF WARDS

Low Capacity	16
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## BANKERS! ! ! ! ! ! ! AUDITORS

First National Bank	Auditor-General
---------------------	-----------------

! ! ! ! ! ! ! !

## REGISTERED OFFICE

2 Kingfisher Road

PO BOX 144

MANDINI

MANDINI

4490

4490

Telephone: (032) 456 8200

Fax: (032) 456 2504

## **MUNICIPAL MANAGER**

Dr. M.B. Ngubane

## **CHIEF FINANCIAL OFFICER**

Mrs. M.J. Pearson (Resigned 3 August 2007)

## **APPROVAL OF FINANCIAL STATEMENTS**

The Annual Financial Statements pages 5 to 39, for the year ended 30 June 2007, were approved by the Council on .....

\_\_\_\_\_  
**MUNICIPAL MANAGER**

\_\_\_\_\_  
**MAYOR**

!

**DATE:** .....



## FOREWORD BY THE MAYOR

The Mandeni Municipality financial year commenced the year with Councillor BL Magwaza at the helm as a Mayor. The tight budgetary and cash flow constraints have continued throughout 2006/2007, however, the municipality has not managed to bring down the level of outstanding creditor payments. The Financial Recovery Steering Committee continued during the current year to monitor the Municipality's finances. The committee is chaired by a representative from the KwaZulu Natal Provincial Department of Traditional and Local Government Affairs. Financial assistance was received from the Department of Traditional and Local Government to assist with financial management through the Municipal Assistance Programme (MAP). A grant of R 500 000 was received during the year. A Financial Management Grant of R500 000 was also received from National Treasury for capacity building and financial management. The financial Management grant is also used to pay for two interns employed by the municipality.

Efforts continued during the year to recover outstanding debts. Through the Management Assistance Programme, a consultant was appointed to carry out a data cleansing programme. They have had the task of identifying all the indigent and unemployed within the community, as well as listing each owner or tenant on every property. The Debt Pack Programme has now been implemented to assist in the collection of arrear debts. This programme was installed in April 2007 and is now beginning to show improvements in recovery of arrear debts. However, refuse collection is still the biggest challenge.

Overall the Municipality budgeted for income totalling R 51,677,450 and the actual income earned was R 52,803,635.

Overall the Municipality budgeted for expenditure totalling R 51,677,450, and the actual expenditure was R 49,558,429.

The Free basic electricity project which the municipality commenced in 2005/2006 is continuing successfully. Funds for this project are allocated from the equitable share grant. The total number of households in the community now benefiting from this grant has increased substantially from 735 in the previous financial year to 1442 households in the 2006/2007 financial year.

The Municipality was able to commence a number of capital projects for which specific grant funding was obtained. These projects included:

- Hlomendlini Housing

- Sundumbili Roads
- Padianagar Roads
- Municipal access and Parking
- Hlomendleni Clinic

The management team and the staff are committed to service delivery in accordance with its mandate and ensuring that the tariff increases are fair and reasonable in spite of the many challenges which face the Municipality on an ongoing basis.

In conclusion I would like to express my appreciation to the Speaker, the Deputy Mayor, Executive Committee, Councillors and the Management team and the staff for their support, co-operation and hard work.

---

Mayor B L Magwaza  
Chairman of the Executive Committee

Date: .....

# **REPORT OF THE AUDITOR-GENERAL TO THE MUNICIPAL COUNCIL AND KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MANDENI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying financial statements of the Mandeni Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, and the report of the chief financial officer, as set out on pages 8 to 31.

### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis of accounting**

8. The municipality's policy is to prepare the financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

### **Basis for qualified opinion**

### **9. Scope limitation**

Management's inability to provide information has resulted in the recorded amounts of the financial statements for the following components not being assessed for completeness, accuracy and validity:

## **Debtors**

### **Age analysis**

No reconciliation had been provided in respect of the difference of R1 727 857 between the debtors balance per the debtors age analysis and the debtors balance per the general ledger. Due to the volume of transactions concluded during the year, it was not practical for audit to perform the reconciliation.

### **Miscellaneous debtors**

Individual debtors amounting to R622 161 were not separately identifiable from the schedule of miscellaneous debtors. Furthermore, the miscellaneous debtors schedule included debtors with a credit balance amounting to R653 268 which was not classified as creditors. Owing to the nature of the municipality's records, I was unable to perform alternative procedures to verify the completeness of this balance.

### **Short-term portion of long-term debtors**

Supporting documentation to substantiate the calculation of the short-term portion of long-term debtors of R667 493 as disclosed in note 7 to the financial statements was not provided. Owing to the nature of the municipality's records, I was unable to perform alternative procedures to verify the calculation of the short-term portion of long-term debtors.

## **10. Recoverability of debtors**

### **Consumer debtors**

The existence of consumer debtors of R55 784 099 included in note 9 to the financial statements is uncertain as my audit sample revealed that only 1 per cent of the consumers had paid their accounts subsequent to year-end.

Consumer debtors of R55 784 099 include rates debtors amounting to R38 691 844. In terms of the Ordinance, the municipality has the right to attach the properties of delinquent debtors in an attempt to recover the outstanding balance. No such action was instituted against any debtor, which increased the uncertainty of the recoverability of consumer debtors.

### **Housing debtors**

Included in note 9 to the financial statements were housing debtors amounting to R5 462 825 which related to the Highview Park Housing Scheme. These debts were taken over from the Umsekeli Municipal Support Services with effect from 1 July 2005. No payments have since been received and no provision for doubtful debts had been made for these outstanding housing debtors.

### **Recoverability of land sale debtors**

Included in accounts receivable were land sale debtors amounting to R839 828. The recoverability of these debtors was uncertain as the terms and conditions had not been complied with and no action had been instituted against these defaulting debtors. Furthermore, no provision for doubtful debts had been made for the outstanding land sale debtors.

## **11. Unauthorised expenditure**

It was noted that expenditure amounting to R2 229 724 incurred in respect of the repairs and maintenance vote exceeded the budgeted amount of R1 957 850 by R271 874. This over-expenditure related to repairs on a grader. Inspection of minutes of council meetings revealed that the overspending had not been approved.

## **Qualified opinion**

12. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of Mandeni Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

## **Emphasis of matters**

I draw attention to the following matters:

### **13. Going concern**

The inability of the municipality to collect outstanding debts and the under-provision for doubtful debtors resulted in the municipality being technically insolvent as at 30 June 2007. Inadequate controls over debt collection had resulted in an increase in debtors and cash flow problems had resulted in delays in supplier payments.

Statutory funds and unspent grants per the financial statements amounted to R17 684 860 and after taking into account internal loans and temporary borrowings of R10 583 015, the balance of R7 101 845 should have been represented by cash and investments. At 30 June 2007 cash and investments totalled R6 041 576, with a resultant shortfall of R1 060 269, which indicated that the municipality had used funds earmarked for specific purposes to fund day-to-day operations.

The above matters cast doubt on the ability of the municipality to continue as a going concern.

### **14. Basis of accounting (departures and deviations)**

The accounting policy note 5.4 on reserves states that all unspent funds received in the form of grants and subsidies are retained in the balance sheet as a reserve. The funds are accounted for in the income statement as income and expenditure in the year that the monies are spent. It was noted that there was inconsistency in the treatment of grants as some grants were taken directly through reserves whilst other grants were reflected in the income statement.

### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

### **15. Non-compliance with applicable legislation**

#### **Municipal Finance Management Act**

##### **Internal control**

The municipality did not develop and implement a risk management policy. The municipality has therefore not effectively managed its risks in accordance with section 62(1)(c). Also, it was noted that the municipality had not drafted, approved and/or implemented the following:

- Performance review policy
- Investment policy.

##### **Supply chain management**

The municipality did not comply with section 115(1)(a) of the MFMA in respect of the following:

- Management used a procurement supply chain policy which differed from the draft supply chain management policy
- Council did not oversee the implementation of the supply chain management policy
- No reports were submitted to council within 30 days after the end of the year, detailing the implementation of its drafted policy, or material problems encountered with such implementation.

##### **General non-compliance**

- The municipality did not pay all money owing within 30 days of receiving the relevant invoice/statement, as required by section 65(e) of the MFMA.
- The municipality did not meet all financial commitments towards other municipalities, as required by section 37(1)(c) of the MFMA. An amount of R771 536, owed to Ilembe District, was carried forward from prior years and had not yet been paid.
- The municipality paid an amount of R31 777 to the South African Revenue Services on behalf of the mayor as a fringe benefit tax for the right of use of a motor vehicle. This was in contravention of section 164(1)(c) of the MFMA.

- The municipality had not followed up a long-term debtor relating to a vehicle loan amounting to R283 493, which included interest owed by the former municipal manager, as required by section 64(2) of the MFMA
- The municipality did not submit an implementation plan, detailing progress towards full compliance with section 122(3) of the MFMA, to the National Treasury and Provincial Treasury before 30 October 2007.

### **Value Added Tax Act**

In terms of section 8(11) of the Value Added Tax Act, 1991 (Act No. 89 of 1991) (VAT) a supply of, or the use or the right to use, or the granting of permission to use, any goods under any rental, instalment or credit sale agreement or any other agreement under which such permission to use is granted, shall be deemed to be a supply of goods. During the audit of VAT and employee costs it was noted that no output VAT was declared on the fringe benefit in respect of the use of the council's vehicle by the mayor.

### **South African Local Bargaining Council Agreement**

Section 7(3) of SALBC Agreement states that all leave accrued as at 31 December 2003 shall be dealt with as follows:

The values of such accrued leave shall be determined at the rate of pay as at 31 December 2003. Employees shall either take or encash such leave within a period of two years calculated from 1 January 2004. Notwithstanding the provisions of clause 7.3.2, an employee is entitled to retain a maximum of 48 days of accrued leave. It was noted that the municipality's leave cycle was only changed with effect from 1 January 2006, whilst leave accruals prior to January 2006 were based on the leave cycles which started on the employee's date of appointment.

Furthermore, certain employees' leave payout was based on leave days in excess of the 48-day threshold.

## **16. Matters of governance**

### **Effectiveness of internal audit**

During the year under review, internal audit was outsourced in terms of section 165(3) of the MFMA. The following was noted:

- Working papers were not available to determine whether the work had been prepared and reviewed in terms of the audit approach and methodology in accordance with the Standards for the Professional Practice of Internal Auditing, as prescribed by the Institute of Internal Auditors
- Internal audit reports were not finalised during the year and a report on the findings for the year under review was only tabled for discussion on 23 October 2007 at the audit committee meeting
- The internal audit plan did not indicate dates on which the audits would be finalised
- Internal audit staff did not sign certificate of independence
- The internal audit plan did not indicate follow-up audits.

### **Effectiveness of the audit committee**

The functions of the audit committee were not fully complied with during the year under review, as required by section 166 of the MFMA. The following was noted:

- The audit committee only met once during the year under review
- Council had not evaluated the effectiveness of the audit committee
- Appropriate measures were not taken to effectively discharge its mandate in respect of the review of the internal control procedures followed by management, controls designed to ensure that assets are safeguarded, risk management and related policies, compliance with the prescribed accounting framework and the effectiveness of internal audit
- Membership of the audit committee was not published in the prior year annual report
- The annual report of the audit committee's activities, as well as any significant issues that had arisen during the year, was not submitted to the council.

## 17. Material corrections made to the financial statements submitted for audit

The financial statements approved by the accounting officer and submitted for audit on 31 August 2007 have been significantly revised in respect of the following misstatements identified during the audit:

- Interest income was credited by R247 230 and cash and bank was debited as a result of interest on the call account not being accrued for at year-end
- Other income was increased by R41 661 and interest on investments decreased as a result of a misallocation
- General expenditure was credited and miscellaneous payables were debited by R771 536 due to a duplication of a payable to Ilembe District Municipality
- General expenditure was debited and cash and bank credited by R288 875 due to payments that appeared on the bank statement but were not captured in the general ledger
- Repairs and maintenance were credited and miscellaneous payables were debited by R58 511 due to errors in capturing of invoices
- Contribution to fixed assets was debited and loans redeemed and other capital receipts were credited by R30 205 due to a misallocation of an expense
- Contributions were debited and the capital development fund was credited by R1 574 365 due to the contribution to the capital development fund not being provided for at year-end
- Contribution to bad debts was debited and provision for bad debts credited by R5 555 431 due to the municipality not complying with its accounting policy in respect of the provision for bad debts
- A contingent asset amounting to R537 873, as disclosed in note 26 to the financial statements, was removed as there was no certainty that this asset would be realised.

## 18. Internal control

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for qualification opinion</b>					
Debtors recoverability			√		√
Unauthorised expenditure			√		√
<b>Emphasis of matter</b>					
Going concern		√			
Basis of accounting (deviation)			√		√
<b>Other matters</b>					
Non-compliance with applicable legislation	√	√			
Matters of governance	√				
Material corrections made to the financial statements			√		√

## 19. Investigations in progress or completed

Two forensic investigations are pending:

## **Forensic investigation into unauthorised payments**

An investigation into unauthorised access to the municipality's CAMS (payments) system involving unauthorised payments amounting to R101 000 in the prior year.

## **Forensic investigation into stolen safe**

An investigation into the theft of a safe which included cash takings for the Ilembe water account debtors.

### **20. Unaudited supplementary schedules**

The supplementary information set out on pages 32 to 37 does not form part of the financial statements and is presented as additional information. I have not audited these annexures and accordingly I do not express an opinion on them.

### **OTHER REPORTING RESPONSIBILITIES**

#### **Reporting on performance information**

21. I was engaged to audit the performance information.

#### **Responsibility of the accounting officer for the performance information**

22. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **Responsibility of the Auditor-General**

23. I conducted my engagement in accordance with section 13 of the PAA, read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.

24. In terms of the foregoing, my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

25. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

#### **Audit findings**

### **26. Non-compliance with regulatory requirements**

#### **Content of the integrated development plan**

The integrated development plan of the municipality did not include the key performance indicators and performance targets set in terms of its performance management system, as required by sections 43 and 44 of the MSA. As a result, the following key performance indicators could not be measured:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- The percentage of households earning less than R1 100 per month with access to free basic services
- The number of jobs created through the municipality's local economic development initiatives, including capital projects
- Financial viability ratios.



The following key performance indicators included in the integrated development plan did not have predetermined targets:

- The percentage of the municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan
- The percentage of the municipality's budget spent on implementing its workplace skills plan.

### **Lack of reporting on all predetermined objectives in the annual report**

I draw attention to the fact that the Mandeni Municipality had not reported on all development priority, objective and the general key performance indicators, as required by section 43 of the MSA and regulation 10 of the Regulations and in terms of the DPLG: Performance Management Guideline for Municipalities, 2001, paragraph 5.8.2. Consequently, I was unable to verify the actual performance in respect of the following:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- The percentage of households earning less than R1 100 per month with access to free basic services
- Financial viability ratios.

### **Existence and functioning of a performance audit committee**

The Mandeni Municipality did not appoint and budget for a performance audit committee, nor was the audit committee utilised as the performance audit committee, as required by section 45 of the MSA.

### **Internal auditing of performance measurements**

The Mandeni Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45 of MSA.

## **APPRECIATION**

27. The assistance rendered by the staff of the Mandeni Municipality during the audit is sincerely appreciated.

Pietermaritzburg

30 November 2007



**AUDITOR - GENERAL**

## OFFICE OF THE MUNICIPAL MANAGER

### REPORT OF THE AUDIT COMMITTEE

---

#### 1. INTRODUCTION

We are hereby pleased to present our report for the financial year end of 31 June 2007 and hope that it will present a reflection of the activities of the Audit Committee as mandated by the relevant legislation.

#### 2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed below and meets at least four times a year as per its approved Charter. During the year under review 1 meeting was held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
1. Mr J Hunt (Chairperson)	1
2. Adv. MNP Mtshali	1
3. Mr B Radebe	1
4. Mr M Press	0
5. Mr K Ragunandan	1 (resigned on 06 August 2007)
6. Mr D Mbatha	0 (appointed on 01 November 2007)

#### 3. AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee is satisfied that, it has complied with its responsibilities as outlined in Section 166 (2)a – e. The affairs of the Committee were regulated in compliance with the Audit Committee Charter and responsibilities contained therein have been discharged fairly although limited by the fact that the Committee only met once in the financial year.

#### 4. THE EFFECTIVENESS OF INTERNAL CONTROLS AND THE INTERNAL AUDIT FUNCTION

The Audit report on the Financial Statements, qualified opinion, matters of emphasis and the management letter of the Auditor-General have reported the following matters that arose from the audit and are relevant to responsibilities of the Accounting Officer:

- Material misstatement of debtors in the financial statements leading to limitation of scope.
- Non-provision of documentation on miscellaneous debtors and long-term debtors.
- Material misstatement of contingent assets in the financial statements.
- Going concern.
- Non-compliance with supply chain and performance management regulations.
- Material weaknesses in the implementation and effectiveness of internal controls or financial management.

The Committee noted the various items raised by the Auditor-General, as well as responses from Management, however the findings are not necessarily a reflection on managerial deficiencies at the municipality rather as a result of:

- Challenges in debt recovery and revenue collection leading to non-implementation of various programmes and systems.
- Limitations on performance of certain processes due to the low staff complement.

Management has confirmed that most of these findings have been addressed however they will continue to ensure that internal controls are improved.

## 5. **EVALUATION OF THE FINANCIAL STATEMENTS AND AUDIT REPORT**

The Audit Committee has:

- Reviewed and discussed with the Auditor-General, the Accounting Officer and management the audited financial statements to be included in the annual report.
- Reviewed and discussed management's responses to the audit queries.

The Audit Committee accepts the conclusion of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements can be accepted and read together with the report of the Auditor-General.

.....

**MR JOHN HUNT**

**CHAIRPERSON: AUDIT COMMITTEE**

.....

**DATE**

## CHIEF FINANCIAL OFFICER'S REPORT FOR THE YEAR ENDED 30 JUNE 2007

The Annual Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice (1997) and the Report on the Standardisation of Financial Statements of Local Authorities (Second Edition), as amended.

It is with pleasure that my report on the finances of the Mandeni Municipality for the year ended 30 June 2007 is submitted. The financial statements are appended.

### 1. OPERATING RESULTS

The details of the operating results per department and classification of income and expenditure are included in Appendices D and E.

The overall operating results for the year ended 30 June 2007 are as follows:

#### *Overall operating results*

INCOME	Actual 2006	Actual 2007	Variance - Actual 2006/2007	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	46,506,169	52,803,635	14	51,677,450	2
Expenditure	(49,815,220)	(49,558,429)	(1)	(51,677,450)	(4)
Surplus	(3,309,050)	3,245,206	(198)	0	
Appropriations	5,081,492	(19,177)	(100)	0	
Opening Surplus	8,375,788	10,148,230	17	0	
Closing Surplus	10,148,230	13,374,259	32	670,719	

Overall the municipality has a surplus of R 13,374,259 which has mainly been attributable to control over expenditure and certain capital projects not being carried out during the year. Unfortunately, whilst there is a surplus it is not cash backed as the amount is part of the arrear debtors.

#### **Rate & General Services operating results**

INCOME	Actual 2006	Actual 2007	Variance - Actual 2006/2007	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	40,626,214	46,982,420	16	45,592,880	3
Expenditure	45,232,002	(45,028,526)	(0)	(45,686,930)	(1)
Surplus/(Deficit)	(4,605.788)	1,953,893	(142)	(94,050)	(2178)
Surplus as a % of income	(11)	4	0	3	0

### Trading Services operating results

The only Trading Service is Electricity. The municipality only supplies electricity to the town area of Mandeni. The balance of the Mandeni Municipal area is supplied by Eskom. Eskom offers free basic electricity to consumers who qualify. At present there are 735 householders who are receiving free electricity. This is funded by part of the equitable share.

### Electricity

ELECTRICITY	Actual 2006	Actual 2007	Variance - Actual 2006/2007	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	5,449,991	5,389,328	(1)	5,660,000	(5)
Expenditure	4,575,986	(4,529,903)	(1)	(5,990,520)	(24)
Surplus/(Deficit)	874,006	859,425	(2)	(330,520)	(360)
Surplus as a % of income	16	16	0	(6)	0

A portion of the equitable share was transferred to the Electricity department to cover the cost of the free basic electricity. The expenditure is still well below the budgeted figure. Provision was made for the free basic electricity, but only 735 households received the benefit during the year.

## 2. HOUSING FUND

During the 2005/2006 financial year the municipality was informed that uMsekeli Municipal Support services would be closing. This then necessitated that the municipality take over the billing of the Highview Housing Project. Although the houses will not become part of the assets of the municipality, the value of the debtors has been brought to account until the Department of Housing finalises this project. The total value of debtors for this project is R 5,462,825, which pushes up the overall value of outstanding debtors. The balance of the funds relating to this project was handed over to the municipality and amounts to R 629,423. The Surplus of R 431,887 attained on the Operating account has not been recovered in Cash, and the management of these accounts remains a burden on the municipality.

INCOME	Actual 2006	Actual 2007	Variance - Actual 2006/2007	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	429,964	431,887	0	0	0
Expenditure	7232	0	0	0	0
Surplus	422,732	431,887			
Surplus as a % of income	0	100	0	0	0

## 3. CAPITAL EXPENDITURE & FINANCING

The second phase of the upgrade of the Sundumbili Roads was completed during the year. This project was grant funded. Other capital purchases included office equipment, furniture and fittings and plant and equipment.

	Budget 2007	Actual 2007	Actual 2006
	R	R	R
Land	0		54,000
Buildings	21,000,000		949,312
Infrastructure	43,111,435	13,544,695	130,900

Other Fixed Assets	69,464,300	219,381	381,269
	133,575,735	13,764,076	1,515,481

The above assets were funded as follows:

	Budget 2007	Actual 2007	Actual 2006
	R	R	R
Operating account	918,000	59,855	876,254
Grants and subsidies	132,839,735	13,704,221	605,057
Insurance	0		26,969
Other	0		7200
	133,575,735	13,764,076	1,515,481

Refer to Appendix C for a further analysis of the fixed assets.

### 3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2007 was R 6,988,120(2006: R 7,597,338) as set out in Note 3 to the financial statements. No new loans were taken out during the year and R 609,218 was repaid during the year. More information in respect of external loans and investments may be found in Notes 3 and 6 and Appendix B.

Investments and cash on hand as at 30 June 2007 was R 6,041,576 (2005: R 2,803,440)

### 4. STATUTORY FUNDS AND TRUST FUNDS

Included in the trust funds are unspent monies on funding/grants that have been received for specific purposes. These funds will be utilised in the 2007/2008 financial year.

More information regarding statutory funds and trust funds are disclosed in Notes 1, 25, 26 and 27 and Appendix A to the financial statements.

## **5. POST BALANCE SHEET EVENTS**

There are no post balance sheet events.

## **6. APPRECIATION**

I would like to record my grateful thanks for the co-operation and support received from the Mayor, Executive Committee and the Council and during the year under review. Thanks are also extended to the Municipal Manager, Directors, Managers especially the Finance Manager and the staff for their support and all assistance they have given during the year.

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Chief Financial Officer

Date: 31 August 2007



## **ACCOUNTING POLICIES**

### **1. Basis of Presentation**

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition, January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in accounting policy note 3. The accounting policies are consistent with those of the previous year except where otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
  - Income is accrued when measurable and collectable to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
  - Expenditure is accrued in the year it is incurred.

### **2. Consolidation**

The financial statements include the Rate and General Services, Trading Services, Housing and the different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal and monthly electricity charges which are treated as income and expenditure in the respective departments.

### **3. Fixed Assets**

- 3.1 Fixed Assets are stated:
  - at historical cost, or
  - at valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation whilst they are in existence or fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.
- 3.2 Depreciation

The balance shown against the heading “Loans Redeemed and Other Capital Receipts” in the notes to the balance sheet is tantamount to a provision for depreciation, however certain structural differences do exist, By the way of this “Provision” assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make a further provision for depreciation.
- Grants or donations, where the amount representing the value of such grant or donation is immediately credited to the “Loans Redeemed and Other Capital Receipts” account

3.3. All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. All net proceeds from the sale of moveable assets are credited to the Capital Development Fund.

3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. The loans redeemed and other capital receipts account is credited as the loans are repaid. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

3.5. Other

Fixed assets are disclosed on the Balance Sheet as the net of the original cost less the loans redeemed and other capital receipts.

## **4. Inventory**

Inventory is valued at the lower of cost, determined on the average cost and net realizable value.

## **5. Funds and Reserves**

5.1 Capital Development Fund

The Local Authorities Ordinance No.25 of 1974 requires a minimum contribution of 3 percent of the defined income of a local authority. The Fund is used to finance capital expenditure, and the surplus funds are invested.

## 5.2 Loan Redemption Fund

The redemption of loans in Rates and General Services is provided for by annual repayment of advances made to the borrowing accounts calculated on the estimated life of assets acquired but subject to a limitation of a maximum of 30 years on the life of any individual asset. Internal loans are repaid in relation to the life of an asset. Redemption on State and Development Bank of South Africa loans is payable half yearly on an annual basis.

## 5.3 Public Improvement Fund

The fund is divided into 2 parts:

- The general section which receives funds from cash and land endowments and various other sources
- The development section through which the development of the Eastern Expansion Area of Mandini has been operated.

### *Acquisition of land*

The valuation of land in Extension 7 is reflected at cost, and the net income of land sales is reflected separately.

### *Valuation of Services in Eastern Expansion Area*

The services acquired by the Rates and General Services Fund and Trading Services as a result of the Development in the Eastern Expansion Area have been brought to account at a valuation which has been set at the cost of development of these services.

### *Land Sales*

The income on land sales is credited to the Fund. Where the sale is not paid in full an agreement of sale is entered into whereby the purchaser pays a deposit and the balance is paid in instalments. The transfer of the property is only effected when the full amount is paid. All property sold and transferred is transferred to Deferred Charges, until the loan is paid.

## 5.4 Reserves

All unspent funds received in the form of grants and subsidies are retained in the balance sheet as a reserve. The funds are accounted for in the income statement as income and expenditure in the year that the monies are spent.

## **6. Provisions**

### **6.1 Leave Pay**

Provision has been made for the outstanding leave obligation as at 30 June 2007. The basis of calculation of the leave pay is the number of leave days per employee as at 30 June 2007 multiplied by the daily rate per employee. The calculation of the daily rate is the annual salary per employee divided by 250 days.

### **6.2 Bad Debts**

Provision has been made for bad debts which are deemed to be unrecoverable and have been outstanding for 150 days or longer. The provision is based on 50% of all debts outstanding for 150 days and longer and 25% of the balance of outstanding.

## **7. Retirement Benefits**

The Mandeni Municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation), the Natal Joint Municipal Pension Fund (Retirement) or the Natal Joint Municipal Pension Fund (Provident) which provides retirement benefits for such employees. The municipality's current contributions are charged against operating income.

The Councillor's contribute to the Councillor's Pension Fund and is voluntary, not mandatory. This fund provides retirement benefits for the Councillors.

## **8. Surpluses and Deficits**

The surpluses or deficits arising from the operation of the Electricity Service are retained in that fund unless otherwise resolved by Council.

## **9. Treatment of Administration and Other Overhead Expenses**

The estimated costs of internal support services are transferred to the different departments. The internal support services are calculated at approximately 2% of expenditure, spread across the various departments with differing percentage charges per department.

## **10. Investments**

Investments are shown at cost and are in securities prescribed in Section 125 of Ordinance 25 of 1974. They are considered to be risk-free.

## **11. Income Recognition**

### **11.1 Assessment Rates**

Assessment rates are levied on land and buildings and are billed both annually and monthly.

11.2. Electricity is charged based on monthly consumption. Refuse Removal is charged based on a monthly tariff as per the Tariff of Charges. Other income such as Grass cutting, Business refuse, Robot repairs is billed each month based on consumption.

## **12. Leased Assets**

Fixed assets held under finance leases are capitalized. Such assets are effectively amortized over the term of the lease agreement. Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilized in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged against the operating income on a monthly basis.

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**BALANCE SHEET AT 30 JUNE 2007**

		2007	2006
	NOTE	R	R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES			
Statutory Funds	1	13,627,041	13,304,073
(ACCUMULATED DEFICIT)/RETAINED INCOME	16	<u>13,374,259</u>	<u>10,148,230</u>
		27,001,300	23,452,303
TRUST FUNDS			
Grants and subsidies	2	4,057,819	2,687,738
Flood Relief Fund		0	2,159
LONG TERM LIABILITIES	3	6,784,340	6,050,620
CONSUMER DEPOSITS	4	923,839	851,137
		<u><b>38,767,298</b></u>	<u><b>33,043,957</b></u>
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	5	2,831,930	6,393,696
INVESTMENTS	6	1,491,214	1,489,260
LONG TERM DEBTORS	7	<u>455,828</u>	<u>759,041</u>
		<b>4,778,973</b>	<b>8,641,997</b>
<b>NET CURRENT ASSETS</b>		<b>33,988,326</b>	<b>24,401,960</b>
CURRENT ASSETS		<u>41,008,790</u>	<u>33,194,961</u>
Inventory	8	168,038	134,835
Debtors	9	35,622,897	30,828,080
Short term portion of long term debtors	7	667,493	917,866
Cash	22	<u>4,550,362</u>	<u>1,314,180</u>
CURRENT LIABILITIES		<u>7,020,464</u>	<u>8,793,001</u>
Provisions	11	1,129,564	1,259,881
Creditors	10	5,687,119	5,986,402
Short term portion of long term liabilities	3	<u>203,781</u>	<u>1,546,718</u>
		<u><b>38,767,298</b></u>	<u><b>33,043,958</b></u>

0

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2006		
Actual Income	Actual Expenditure	Surplus/ (Deficit)

R R R

40,626,214 45,232,002 (4,605,788)

34,926,648	36,075,263	(1,148,615)
879,621	2,428,103	(1,548,482)
4,819,945	6,728,636	(1,908,691)

429,964 7,232 422,732

429,964	7,232	422,732
---------	-------	---------

5,449,991 4,575,986 874,006

5,449,991	4,575,986	874,006
-----------	-----------	---------

46,506,169 49,815,220 (3,309,050)

**RATE AND GENERAL SERVICES**

Community services  
Subsidised Services  
Economic Services

**HOUSING**

Housing

**TRADING SERVICES**

Electricity

**TOTAL**

5,081,452 Appropriations for the year

1,772,442 Net surplus/ (deficit) for the year

8,375,788 Accumulated surplus (deficit)beginning of the year

10,148,230 Accumulated surplus/(deficit) end of the year

2007			
Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)

R R R R

46,946,521 44,992,627 1,953,893 (94,050)

40,729,947	36,981,121	3,748,826	3,977,830
1,183,987	3,795,226	(2,611,239)	(4,232,660)
5,032,587	4,216,280	816,307	160,780

431,887 0 431,887 424,570

431,887	0	431,887	424,570
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5,389,328 4,529,903 859,425 (330,520)

5,389,328	4,529,903	859,425	(330,520)
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52,767,736 49,522,530 3,245,206 0

16 (19,177)

3,226,029

16 10,148,230

16 13,374,259

(Refer to appendix D and E for more details)

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

		2007	2006
	NOTE	R	R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>17,611,430</b>	<b>3,400,139</b>
Cash generated by operations	17	12,627,733	14,145,999
Investment income	15	1,056,897	589,053
(Increase) / decrease in working capital	18	(10,056,446)	(11,996,023)
		3,628,185	2,739,030
Less : External interest paid	15	(1,259,376)	(1,398,079)
Cash available from operations		<b>2,368,809</b>	<b>1,340,951</b>
Cash contributions from the public and State	App.C	13,704,221	1,668,802
Net proceeds on disposal of fixed assets	App.A	1,538,400	390,386
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(13,764,076)</b>	<b>(1,515,482)</b>
Investment in fixed assets	5	(13,764,076)	(1,515,481)
<b>NET CASH FLOW</b>		<b><u>3,847,354</u></b>	<b><u>1,884,658</u></b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase/ (Decrease) in long-term loans (external)	19	(609,218)	(1,504,712)
Increase/ (Decrease) in short-term loans (external)	20	0	0
(Increase)/Decrease in cash investments	21	(1,954)	(1,684)
(Increase)/ Decrease in cash	22	(3,236,182)	(378,262)
<b>NET CASH GENERATED</b>		<b><u>(3,847,354)</u></b>	<b><u>(1,884,658)</u></b>

The comparative figures were amended subsequent to the 2006 Audit



**MANDENI MUNICIPALITY  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>1 STATUTORY FUNDS</b>		
Consolidated Capital Development Fund	6,608,725	5,011,055
Loan Redemption Fund	110,554	110,388
Public Improvement Fund	6,278,340	7,553,207
Housing Fund	629,423	629,423
	<b>13,627,041</b>	<b>13,304,073</b>

(Refer to Appendix A for more detail)

**2 TRUST FUNDS  
Grants and subsidies**

KZN Ezemvelo Wildlife Projects	0	0
Provincial grant - Development Planning/Capacity Bldg	78,853	424,686
Provincial grant - Municipal Assistance Programme	593,115	494,009
Provincial grant - Interdepartmental Monitoring	9,490	60,000
Provincial grant - Property Rates	100,000	144,000
Provincial grant - MFMA	100,000	100,000
CDW Grant	47,708	53,170
Seta Grant	(0)	4,867
Public Participation Grant	250,000	(0)
Gijima Grant	(0)	(0)
Web Site Grant	0	40,000
National grant - Finance Management grant	286,789	385,173
Municipal Systems Infrastructure grant /PMS	0	22,334
Agricultural grant	0	67,466
Provincial grant - Geographical Information Systems	149,931	164,245
Sport and Recreation Grant	700,000	(0)
National grant - Land Use Management System	117,065	145,749
Municipal Infrastructure Grant (MIG)	241,714	0
Municipal Infrastructure Grant (MIG)- Ilembe	(780)	382,039
Housing Projects	1,194,465	200,000
Mandeni Sports Trust	39,470	0
Electricity Grant	150,000	
	<b>4,057,819</b>	<b>2,687,739</b>

(Refer to Appendix A for more detail)

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>3 LONG TERM LIABILITIES</b>		
Annuity loans	1,288,120	1,897,338
Fixed period loans	5,700,000	5,700,000
	6,988,120	7,597,338
Less: Current portion transferred to short term liabilities	203,781	1,546,718
Annuity loans	203,781	1,546,718
	<b>6,784,340</b>	<b>6,050,620</b>

(Refer to Appendix B for more detail on long term liabilities)

**ANNUITY LOANS**

These were advanced by the Development Bank of South Africa for electrical reticulation in Mandeni. They bear interest at 15.82 % p.a. and will be fully repaid by June 2013.

**FIXED PERIOD LOANS**

The loan of R 5 700 000 was raised from INCA at an interest rate of 17.5 % and is repayable on 25 March 2009. A cession of a zero coupon bond investment having a value on maturity equal to the loan value raised with Investec Bank. A cession and pledge of claims and rights against income streams earned from Sappi Kraft Ltd and Ithala Bank Ltd has been granted to INCA. Security for the loan has been issued by Investec Bank Ltd in the form of a Zero Coupon Bond with a guaranteed maturity value equal to the loan value and has been ceded to INCA. The market value of the zero coupon bond at 30 June 2007 was R4 432 007 (2006 : R 3 833 378).

**4 CONSUMER DEPOSITS**

Electricity	923,839	851,137
	<b>923,839</b>	<b>851,137</b>
Council does not have any guarantees in lieu of deposits		

**5 FIXED ASSETS**

Fixed assets at the beginning of the year	34,008,311	37,738,490
Capital outlay during the year	13,764,076	1,515,481
Less: assets written off, transferred or disposed of during the year	(3,534,205)	(5,245,660)
<b>Total fixed assets</b>	<b>44,238,182</b>	<b>34,008,311</b>
Less: loans redeemed and other capital receipts	(41,406,253)	(27,614,616)
<b>Net fixed assets</b>	<b>2,831,929</b>	<b>6,393,695</b>

(Refer to Appendix C for more detail on fixed assets)

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>6 INVESTMENTS</b>		
Unlisted:		
Long term deposits	1,491,214	1,489,260
<b>Total investments</b>	<b>1,491,214</b>	<b>1,489,260</b>
Management's valuation of unlisted investments	<b>4,432,007</b>	<b>3,899,841</b>

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a premium rate to meet commitments.

An investment of R 1 422 797 was made with Investec Bank Ltd who has guaranteed a maturity value in 25 March 2009 of R 5 700 000 and have issued a promisory note in favour of INCA to secure this loan. The value of this investment at 30 June 2007 is R4 432 007 (2006 : R 3 833 378) The investment is long term, unlisted and has been ceded to INCA. The loan is owing to INCA.(Refer to Annexure B)

Council has one investments with Standard Bank to the value of R21 180 and two investments with Mercantile Bank to the value of R47 237.

**7 LONG TERM DEBTORS**

Miscellaneous loans	1,123,321	1,676,906
Less: Short term portion	(667,493)	(917,865)
	<b>455,828</b>	<b>759,041</b>

**8 INVENTORY**

Consumable stores, raw materials, work in progress and finished goods	168,038	134,835
	<b>168,038</b>	<b>134,835</b>

**9 DEBTORS**

Consumer debtors	55,784,099	45,791,351
Less provision for doubtful debts	(26,287,495)	(20,732,064)
Net trade debtors	29,496,603	25,059,287
Housing Debtors	5,462,825	4,987,053
Miscellaneous debtors	610,979	689,192
Staff debtors	50,988	92,547
Amounts paid in advance	1,500	0
	<b>35,622,897</b>	<b>30,828,079</b>

\* The Housing Debtors relate to the Highview Park Housing Scheme which has been taken over from uMsekeli Municipal Support Services and brought to account as at 1 July 2005  
Debtors written off during the year  
% of debtors to total operating income  
Average collection days

Nil	Nil
106%	98%
654	619

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>10 CREDITORS</b>		
Trade creditors	2,968,271	2,806,864
VAT	1,349,382	1,335,197
Deposits - Other	1,126,887	1,074,950
Other	242,578	769,390
	<u>5,687,119</u>	<u>5,986,400</u>
<b>11 PROVISIONS</b>		
Leave pay	1,129,564	1,259,881
	<u>1,129,564</u>	<u>1,259,881</u>
<b>12 ASSESSMENT RATES</b>		
Rateable site valuation at 01 July 2006		
Mandeni		
Rateable	68,365,400	67,898,900
Non - rateable	5,828,900	6,047,900
Total site valuation at 01 July 2006	<u>74,194,300</u>	<u>73,946,800</u>
Basic rate	c/R	c/R
Mandeni		
Land	21.247	20.24
Rates income		
General	<u>13,841,618</u>	<u>13,157,081</u>

A revaluation of all properties in the Mandeni area was undertaken and a common valuation roll produced for the whole area. These valuations applied to rates raised as from 1 July 1997. The fixed date for valuations is 1 March 1997.

Areas in Mandeni that were not previously rated, except for the Sundumbili area, became rateable on 5 December 1996. A 50% rebate was granted for the first year of assessment. This rebate was being phased out at 10% per year until such time as the areas become fully rateable in the 2003/2004 financial year.

Valuations of land and buildings in respect of the Tugela Mouth area are performed every five years. The last general valuation came into effect on 1 April 1998.

The valuation for the 2006/2007 financial year was performed on 01 July 2006

Rebates were granted for those who qualify in respect of:

Agriculture	50%	50%
Pensioners	20%	20%
Rural residential	50%	50%
Large properties	50%	50%
Residential	5%	5%
Special early settlement - residential	10%	10%
Special early settlement - other	5%	5%
Areas not previously rated - Sundumbili	10%	10%

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>13 COUNCILLORS' REMUNERATION</b>		
Councillor's allowances	2,841,169	1,444,463
Executive committee allowances	756,628	370,745
Executive committee chairperson's allowance	0	0
Mayor's allowance	252,268	126,452
Speaker / other allowances	360,071	157,644
Deputy Mayor	201,774	97,069
Other Allowances ( travel,housing and cellphone)	264,197	685,417
	<u>4,676,107</u>	<u>2,881,791</u>
In-kind benefits		
The Speaker is the only councillor who is full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of the Council		
The Mayor is entitled to stay at the mayoral residence owned by Council at no cost, but does not utilise this facility, The Mayor and Speaker have the use of a Council owned vehicle for official duties.		
<b>14 AUDITOR'S REMUNERATION</b>		
Audit fee	573,909	538,016
	<u>573,909</u>	<u>538,016</u>
<b>15 FINANCE TRANSACTIONS</b>		
Total external interest earned	<u>1,056,897</u>	<u>589,053</u>
Total external interest paid	<u>1,259,376</u>	<u>1,398,079</u>
Capital charges debited to operating account:		
Interest : External	1,259,376	1,398,079
Interest : Internal	50,721	65,719
Redemption : External	609,218	1,504,712
Redemption : Internal	137,308	144,661
	<u>2,056,622</u>	<u>3,113,172</u>

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>16 APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Retained Income/(Accumulated deficit) at the beginning of the year	10,148,229	8,375,788
Operating surplus / (deficit) for the year	3,245,206	(3,309,050)
Appropriations for the year	(19,177)	5,081,491
Prior year adjustments	(19,177)	592,460
- other		4,489,032
Retained Income/(Accumulated deficit) at the end of the year	<b>13,374,258</b>	<b>10,148,229</b>
<b>Details of Prior Year adjustments:</b>		
PWD Audit query	4,729	
Acc 8803761	(132)	
Internal Audit fees	(19,333)	
JS Mfeka	(3,051)	
Rent received SZ Zondi	(3,500)	
WSSA Acc	(2,675)	
Payment prior 2005	(21,200)	
Rec: Sundumbili Plaza	34,523	
Outstanding deposits written off	(8,538)	
	<b>(19,177)</b>	
<b>Operating account</b>		
Capital expenditure	59,855	1,247,820
Contributions to Capital Development Fund	1,574,365	759,647
Contributions to provisions :	6,161,254	8,747,456
Bad debts	5,555,431	7,746,080
Reserves	250,000	0
Leave pay	355,823	1,001,376
	<b>7,795,475</b>	<b>10,754,924</b>

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>17 CASH GENERATED BY OPERATIONS</b>		
Operating surplus for the year	3,245,206	(3,309,050)
Adjustments in respect of:		
Previous years' operating transactions	(19,177)	5,081,492
Appropriations charged against income	7,795,475	10,754,924
Capital Development Fund	1,574,365	759,647
Contributions to provisions and reserves	6,161,254	8,747,456
Contributions to fixed assets	59,855	1,247,820
Capital charges:	2,056,622	3,113,171
Interest paid:		
- to internal fund	50,721	65,719
- on external loans	1,259,376	1,398,079
- on LRF		
Redemption:		
- of internal advances	137,308	144,661
- of external loans	609,218	1,504,712
Expenditure charged against:		
- Provisions and Reserves	(34,498,297)	
Housing Interest income (operating account)		(485,904)
Interest Income(operating Account)	(1,082,175)	(589,053)
Net income from land sales		(526,680)
Other Income		(1,542,196)
Income charged against:		
- Provisions and Reserves	35,130,078	
Expenditure charged against:		1,649,296
- Current Expenditure on grants		1,622,327
- Insurance		26,969
	<b>12,627,733</b>	<b>14,146,000</b>
The comparative figures were amended subsequent to the 2006 Audit		
<b>18 (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase)/decrease in inventory	(33,203)	38,777
(Increase)/decrease in debtors	(10,099,875)	(11,522,796)
(Increase)/decrease in long term debtors	303,213	(590,446)
Increase/(decrease) in creditors	(299,283)	13,521
Increase/(decrease) in consumer deposits	72,702	64,922
	<b>(10,056,446)</b>	<b>(11,996,023)</b>
<b>19 INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)</b>		
Loans raised	0	0
Loans repaid	(609,218)	(1,504,712)
	<b>(609,218)</b>	<b>(1,504,712)</b>
<b>20 INCREASE / (DECREASE) IN SHORT TERM LOANS (EXTERNAL)</b>		
Loans raised	0	0
Loans repaid	0	0

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>21 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investments realised	(1,954)	(1,684)
	<u>(1,954)</u>	<u>(1,684)</u>
<b>22 (INCREASE)/DECREASE IN CASH ON HAND</b>		
Cash balance : beginning of year	1,314,180	935,918
Less Cash balance : end of year	4,550,362	1,314,180
	<u>3,236,182</u>	<u>378,262</u>
The municipality has the following bank accounts:		
First National Bank - Mandeni branch		
Account Number: 52940480587	1,310,450	932,187
Cash book balance at beginning of year	4,544,635	1,310,450
Cash book balance at end of year		
Bank Statement Balance at beginning of year	856,743	396,469
Bank Statement Balance at end of year	84,392	856,743
Savings Accounts		
First National Bank - Mandeni branch		
Account Number: 62028673219 (Housing)	2,094,290	1,170,797
Account Number: 61294217372 (Grants)	2,734,518	795,778
Account Number: 62138398327 (Camera/MIG)	489,192	
Account Number: 62036865246 (Flood Relief)	2,204	

**23 RETIREMENT BENEFITS**

Employees belong to the following funds within the Natal Joint Municipal Pension Fund which provide retirement benefits to such employees:

- Natal Joint Municipal Pension Fund (retirement)
- Natal Joint Municipal Pension Fund (superannuation)
- Natal Joint Municipal Pension Fund (provident)

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years. An Interim Valuation was conducted of the Fund as at 31 March 2006 indicated that the Superannuation Fund was 104.3% funded and that the funding level improved from 85.8% to 95%. However, an increase in the surcharge from 3% of 6% will be implemented from 1 July 2006 to 30 June 2008. The Retirement Fund ended the year with a deficit and was 87.7% funded, but the funding level has improved from 80.5% to 87.7% and will implement a 14% surcharge from 1 July 2007 to 30 June 2010. The Provident Fund assets were sufficient to cover the members share account and to provide reserves of R46.638 million. As the final retirement benefits payable to members are determined solely by the contributions paid to the fund, together with investment earnings thereon, the Municipality has no unfunded liabilities.

Councillors belong to the Councillors Pension Fund.



**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>24 EMPLOYEE RELATED COSTS</b>		
<b>Remuneration to Municipal Manager</b>		
Annual remuneration	398,319	361,623
Performance Bonuses	27,560	95,000
Car Allowance	121,184	96,473
Housing allowance	34,316	37,800
Contributions to Pension, Medical Aid, UIF	40,741	54,940
Total	<u>622,120</u>	<u>645,836</u>
<b>Remuneration to Chief Financial Officer</b>		
Annual remuneration	336,829	216,050
Performance Bonuses	22,966	0
Car Allowance	122,842	140,530
Housing allowance	0	0
Contributions to Pension, Medical Aid, UIF	1,399	1,075
Total	<u>484,036</u>	<u>357,655</u>
<b>Remuneration of Individual Directors 30 June 2007</b>		
<b>Corporate Services</b>		
Annual remuneration	291,325	267,909
Performance Bonuses	27,560	26,000
Car Allowance	147,510	138,386
Housing allowance	0	0
Contributions to Pension, Medical Aid, UIF	24,907	22,050
Total	<u>491,302</u>	<u>454,345</u>
<b>Community Services</b>		
Annual remuneration	24,696	263,087
Performance Bonuses	0	30,000
Car Allowance	8,022	101,870
Housing allowance	0	28,850
Contributions to Pension, Medical Aid, UIF	117	33,080
Total	<u>32,835</u>	<u>456,887</u>
<b>Technical Services</b>		
Annual remuneration	0	
Performance Bonuses	0	
Car Allowance	0	
Housing allowance	0	
Contributions to Pension, Medical Aid, UIF	0	
Total	<u>0</u>	
<b>25 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
Approved and contracted for	<u>932,205</u>	<u>0</u>
	<u>932,205</u>	<u>0</u>
This expenditure will be financed from:		
Internal sources	0	0
External sources	932,205	0
- Provincial government		0
- Other	<u>932,205</u>	<u>0</u>
	<u>932,205</u>	<u>0</u>

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>26 CONTINGENT ASSETS</b>		
New Republic Bank Investment - written off	0	537,873
	<u>0</u>	<u>537,873</u>
A final pay out has been proposed at 35c/R, which will result in a recovery of some of the balance written off. However due to the lodgement of the objection, the dividends are not recoverable.		
<b>27 CONTINGENT LIABILITIES</b>		
Claim against Brighton Drakewoods & Associates	0	86,466
Litigation - claim by P Biyela	0	45,580
Litigation for the recovery of monies from a former Councillor	0	20,000
Litigation against the municipality on contract termination	0	3,000,000
	<u>0</u>	<u>3,152,046</u>
<b>28 CAPITAL DEVELOPMENT FUND</b>		
Outstanding advances to borrowing services :		
Accumulated fund	6,608,725	5,011,055
Temporary borrowings	(4,698,390)	(4,544,964)
(Refer to appendices A and B for more detail)	<u>335,969</u>	<u>466,091</u>
<b>29 LOAN REDEMPTION FUND</b>		
Outstanding advances to borrowing services		
Accumulated fund	110,554	110,388
Less : Temporary Borrowings	(109,819)	(109,409)
(See appendix B for more detail)	<u>735</u>	<u>979</u>
<b>30 PUBLIC IMPROVEMENT FUND</b>		
Outstanding advances to borrowing services		
Accumulated fund	6,278,340	7,553,207
Temporary borrowings	(5,421,768)	(3,279,207)
Less : Investments	0	(2,815,241)
Land and development expenses	(839,828)	(1,435,074)
Debtors		
(See appendix B for more detail)	<u>16,743</u>	<u>23,685</u>
<b>31 PARTICULARS OF LOSSES OR ANY MATERIAL, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE, UNAUTHORISED EXPENDITURE AND IF RECOVERABLE</b>		101,086
<b>32 PARTICULARS OF NON-COMPLIANCE</b>	NIL	NIL
<b>33 CONTRACTUAL OBLIGATIONS</b>		
Housing Development at Hlomendlini - Funds ex Dept of Housing	<u>0</u>	<u>0</u>

**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**APPENDIX A**

**STATUTORY FUNDS AND GRANT FUNDS RESERVE**

	Balance at 1/07/06	Contributions during the year	Interest on investments	Other income	Capital Expenditure during the year	Operating Expenditure during the year	Balance at 30/06/07
	R	R	R	R		R	R
<b>ACCUMULATED FUNDS</b>							
Consolidated Capital Development Fund	5,011,055	1,574,365	23,305				6,608,725
Loan redemption fund	110,388		166				110,554
Public Improvement Fund	7,553,207		1,973	1,538,400		2,815,240	6,278,340
Housing Fund	629,423						629,423
	<b>13,304,073</b>	<b>1,574,365</b>	<b>25,443</b>	<b>1,538,400</b>	<b>0</b>	<b>2,815,240</b>	<b>13,627,041</b>
<b>GRANT FUNDS RESERVE</b>							
<b>Grants and subsidies</b>							
Provincial grant - Development Planning/Capacity Bldg	424,686					345,834	78,853
Provincial grant - Municipal Assistance Programme	494,009			500,000		400,894	593,115
Provincial grant - Interdepartmental Monitoring	60,000					50,510	9,490
Provincial grant - Property Rates	144,000	100,000				144,000	100,000
Provincial grant - MFMA	100,000						100,000
CDW Grant	53,170					5,462	47,708
Seta Grant	4,867					4,867	(0)
Public Participation Grant	(0)			250,000			250,000
Gijima Grant	(0)			57,960		57,960	(0)
Web Site Grant	40,000					40,000	0
National grant - Finance Management grant	385,173			500,000		598,384	286,789
Municipal Systems Infrastructure grant /PMS	22,334					22,334	0
Agricultural grant	67,466			492,399		559,865	0
Provincial grant - Geographical Information Systems	164,245					14,314	149,931
Sport and Recreation Grant	(0)			700,000			700,000
National grant - Land Use Management System	145,749					28,684	117,065
Municipal Infrastructure Grant (MIG)	0			13,786,409	13,544,695		241,714
Municipal Infrastructure Grant (MIG)- Ilembe	382,039					382,819	(780)
Housing Projects	200,000			18,803,840	17,809,375		1,194,465
Mandeni Sports Trust				39,470			39,470
Electricity Grant		150,000					150,000
	<b>2,687,738</b>	<b>250,000</b>	<b>0</b>	<b>36,130,078</b>	<b>31,354,070</b>	<b>2,655,926</b>	<b>4,057,819</b>
	<b>15,991,811</b>	<b>1,824,365</b>	<b>25,443</b>	<b>36,668,478</b>	<b>31,354,070</b>	<b>5,471,166</b>	<b>17,684,860</b>

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**APPENDIX B**

**EXTERNAL LOANS AND INTERNAL ADVANCES**

	Loan Number	Interest Rate	Date issued	Date redeemable	Balance at 01/07/2006	New loans	Redeemed during the year	Balance at 30/06/2007
		%			R	R	R	R
<b>EXTERNAL LOANS</b>								
<b>Annuity Loan</b>								
Development Bank of SA	1	15.82	30/06/1989	30/06/2009	576,943		163,902.89	413,040
Development Bank of SA	2	15.82	31/12/1990	31/12/2010	300,105		50,160.86	249,944
Development Bank of SA	3	15.82	31/12/1991	31/12/2011	417,802		52,449.90	365,352
Development Bank of SA	4	15.82	31/12/1991	31/12/2011	131,309		16,484.29	114,824
Development Bank of SA	5	15.82	31/12/1993	31/12/2013	158,679		13,719.69	144,960
Umsekele		12.00	01/10/2002	30/09/2005	312,500		312,500	0
					<b>1,897,338</b>	<b>0</b>	<b>609,218</b>	<b>1,288,120</b>
<b>Fixed term loans</b>								
INCA		17.50	30/06/2002	25/03/2009	5,700,000			5,700,000
					<b>5,700,000</b>	<b>0</b>	<b>0</b>	<b>5,700,000</b>
<b>TOTAL EXTERNAL LOANS</b>					<b>7,597,338</b>	<b>0</b>	<b>609,218</b>	<b>6,988,120</b>
<b>INTERNAL ADVANCES TO BORROWING SERVICES</b>								
<b>Internal Loans</b>								
Consolidated Capital Development Fund					466,091		130,122	335,969
Loan Redemption Fund					979		244	735
Public Improvement Fund					23,685		6,942	16,743
					<b>490,755</b>		<b>137,308</b>	<b>353,447</b>
<b>Temporary Borrowings</b>								
Consolidated Capital Development Fund					4,544,964	153,426		4,698,390
Public Improvement Fund					3,279,207	2,142,561		5,421,768
Loan Redemption Fund					109,409			109,409
					<b>7,933,581</b>	<b>2,295,987</b>	<b>0</b>	<b>10,229,568</b>
					<b>8,424,335</b>	<b>2,295,987</b>	<b>137,308</b>	<b>10,583,015</b>

**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**APPENDIX C**

**ANALYSIS OF FIXED ASSETS**

2006 Acquisitions		Budget acquisitions	Opening balance at 01/07/2006	Acquisitions	Disposals	Balance at 30/06/2007
R		R	R	R	R	R
<b>RATE AND GENERAL SERVICES</b>						
1,243,508	Community services	0	27,191,839	13,764,076	(718,965)	40,236,950
231,368	Management services		3,319,448	181,491		3,500,939
949,312	Municipal Buildings		10,819,507		(718,965)	10,100,542
23,859	Protection services		193,555	37,890		231,445
38,969	Public works		2,928,769			2,928,769
	Roads and sidewalks		9,930,560	13,544,695		23,475,255
141,073	Subsidised Services	0	176,834	0	0	176,834
59,643	Health services		59,643			59,643
81,430	Library		88,103			88,103
	Public swimming pool		29,088			29,088
0	Economic Services		0	0	0	0
	Solid Waste & Parks		0			0
<b>1,384,581</b>		<b>0</b>	<b>27,368,673</b>	<b>13,764,076</b>	<b>(718,965)</b>	<b>40,413,784</b>
<b>TRADING SERVICES</b>						
130,900	Electricity	0	3,824,399		0	3,824,399
<b>130,900</b>		<b>0</b>	<b>3,824,399</b>	<b>0</b>	<b>0</b>	<b>3,824,399</b>
<b>PUBLIC IMPROVEMENT FUND</b>						
0	Other	0	2,815,240	0	(2,815,240)	0
<b>0</b>		<b>0</b>	<b>2,815,240</b>	<b>0</b>	<b>(2,815,240)</b>	<b>0</b>
<b>1,515,481</b>	<b>TOTAL FIXED ASSETS</b>	<b>0</b>	<b>34,008,312</b>	<b>13,764,076</b>	<b>(3,534,205)</b>	<b>44,238,183</b>
<b>LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>						
	Loans redeemed		(12,572,785)	(746,525)	654,319	(12,664,992)
	Contributions from current income		(728,751)	(59,855)		(788,606)
	Insurance claims		(145,515)			(145,515)
	Surplus on sale of assets		(111,443)			(111,443)
	Grants and subsidies received		(11,577,709)	(13,704,221)	64,647	(25,217,284)
	Public contributions		(2,299,087)			(2,299,087)
	Contributions ex head office		(80,861)			(80,861)
	Contributions ex beach facilities		(86,631)			(86,631)
	Road reserve fund		(11,834)			(11,834)
<b>0</b>	<b>TOTAL LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>0</b>	<b>(27,614,616)</b>	<b>(14,510,602)</b>	<b>718,965</b>	<b>(41,406,253)</b>
<b>1,515,481</b>	<b>NET FIXED ASSETS</b>		<b>6,393,696</b>	<b>(746,525)</b>	<b>(2,815,240)</b>	<b>2,831,930</b>

**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**APPENDIX D**

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2007**

2006 Actual		2007 Actual	2007 Budget
R		R	R
<b>INCOME</b>			
20,517,442	Government grants and subsidies	23,436,822	23,312,850
17,995,500	Equitable share	20,834,261	20,870,000
0	Transition Fund (LGTF)	0	0
0	Local Economic Development	57,960	0
171,326	Grants - other	157,750	
2,350,616	Provincial grants	2,386,851	2,442,850
24,913,770	Operating Income	27,998,748	27,738,600
13,157,081	Assessment rates	13,841,618	13,748,580
3,994,172	Sale of electricity	4,484,706	5,000,000
0	Sale of water	0	0
7,762,518	Other services	9,672,424	8,990,020
589,053	Interest Earned	1,082,175	536,000
485,904	Other income	249,992	90,000
<b>46,506,170</b>	<b>TOTAL INCOME</b>	<b>52,767,736</b>	<b>51,677,450</b>
<b>OPERATING EXPENDITURE</b>			
17,482,186	Salaries and allowances	18,289,313	21,365,730
15,570,149	General expenses	19,151,397	24,149,310
1,507,621	Repairs and maintenance	2,229,724	1,957,850
3,113,171	Capital charges	2,056,622	2,162,060
876,254	Contributions to fixed assets	59,855	2,042,500
371,566	Contributions to fixed assets ex grants	0	
1,387,170	Contributions to Grant Reserve	250,000	0
759,647	Contribution to Capital Development Fund	1,574,365	0
7,746,080	Contribution to Bad Debts	5,555,431	0
1,001,376	Contribution to Leave	355,823	0
<b>49,815,220</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>49,522,530</b>	<b>51,677,450</b>
<b>(3,309,050)</b>	<b>NET SURPLUS/(DEFICIT)</b>	<b>3,245,206</b>	<b>0</b>

**MANDENI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007**

**APPENDIX E**

**OPERATING ACCOUNT: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2006 Actual income	2006 Actual expenditure	2006 Actual Surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 Actual Surplus/ (deficit)	2007 Budget Surplus/ (deficit)
R	R	R		R	R	R	R
<b>40,626,214</b>	<b>45,232,002</b>	<b>(4,605,788)</b>	<b>RATE AND GENERAL SERVICES</b>	<b>46,946,521</b>	<b>44,992,627</b>	<b>1,953,893</b>	<b>(94,050)</b>
34,926,648	36,075,263	(1,148,615)	<u>Community services</u>	40,729,947	36,981,121	3,748,826	3,977,830
559,874	7,626,885	(7,067,011)	Council's general expenses	1,378,500	6,218,049	(4,839,549)	(5,458,790)
786,213	3,330,333	(2,544,120)	Administration	954,012	5,604,124	(4,650,112)	(6,768,990)
18,327,920	12,973,619	5,354,302	Finance	21,216,622	13,719,428	7,497,194	27,610,280
13,157,081		13,157,081	Assessment Rates	13,841,618		13,841,618	
1,200,000	649,452	550,548	Local Economic Development	1,682,561	400,029	1,282,532	(273,590)
205,024	2,302,834	(2,097,810)	Social Services	225,723	1,932,614	(1,706,892)	(2,513,970)
96,000	408,760	(312,760)	Safety & Security	1,311,611	3,338,668	(2,027,056)	(2,171,800)
423,717	3,169,075	(2,745,358)	Roads	0	2,127,470	(2,127,470)	(2,958,530)
0	1,972,725	(1,972,725)	Buildings	119,300	1,669,183	(1,549,882)	(1,520,510)
170,819	1,826,482	(1,655,663)	Municipal Maintenance	0	1,971,556	(1,971,556)	(1,966,270)
0	1,815,097	(1,815,097)					
879,621	2,428,103	(1,548,482)	<u>Subsidised services</u>	1,183,987	3,795,226	(2,611,239)	(4,232,660)
21,364	683,463	(662,099)	Cemetery	5,688	134,530	(128,842)	(136,790)
846,925	1,350,146	(503,221)	Public Library	21,646	575,408	(553,762)	(960,150)
11,332	394,494	(383,162)	Health Services	1,148,551	1,184,654	(36,102)	(758,230)
			Parks and Gardens	0	1,563,388	(1,563,388)	(1,923,900)
			Public Swimming Pool	8,101	337,245	(329,144)	(453,590)
4,819,945	6,728,636	(1,908,691)	<u>Economic services</u>	5,032,587	4,216,280	816,307	160,780
4,819,945	6,728,636	(1,908,691)	Refuse removal	5,032,587	4,216,280	816,307	160,780
429,964	7,232	422,732	<b>HOUSING</b>	431,887	0	431,887	424,570
429,964	7,232	422,732	Housing	431,887	0	431,887	424,570
5,449,991	4,575,986	874,006	<b>TRADING SERVICES</b>	5,389,328	4,529,903	859,425	(330,520)
5,449,991	4,575,986	874,006	Electricity	5,389,328	4,529,903	859,425	(330,520)
<b>46,506,169</b>	<b>49,815,220</b>	<b>(3,309,050)</b>	<b>TOTAL FOR THE YEAR</b>	<b>52,767,736</b>	<b>49,522,530</b>	<b>3,245,206</b>	<b>0</b>
	5,081,492		Appropriations for the year	16		(19,177)	
	<b>1,772,442</b>		<b>Net surplus/(deficit) for the year</b>			<b>3,226,029</b>	
	8,375,788		Accumulated surplus/ (deficit) at beginning of the year	16		10,148,230	
	<b>10,148,230</b>		<b>Accumulated surplus/ (deficit) at end of the year</b>	16		<b>13,374,260</b>	

**MANDENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007**

**APPENDIX F**

**STATISTICAL INFORMATION**

		2007	2006
<b>GENERAL STATISTICS</b>			
Population		128,669	128,669
Registered Voters		56,162	56,162
Area (km <sup>2</sup> )			
Total Valuations:	Taxable	68,365,400	67,898,900
	Non-Taxable	5,828,900	6,047,900
	Residential		
	Commercial		
Valuation date:	01 July 2004		
Number of properties:	Residential		
	Commercial		
Assessment rate:	Basic (per Rand)	21.24700	20.235
	Rebate : residential	5%	5%
Number of employees		154	170
Number of Councillors		32	32
<b>ELECTRICITY STATISTICS</b>			
Electricity is supplied by ESKOM in all areas other than Mandeni town			
Bulk electricity supplied by Eskom			
Kwh purchased	per month	1,086,681	979,955
Kwh sold	per month	944,479	952,086
Kwh lost in distribution		142,202	27,869
Percentage lost in distribution			
Cost per Kwh sold			1.085c/kwh
Income per Kwh sold			3.047c/kwh
Free basic electricity commenced by Eskom during 2004/2005			
No of households receiving free basic electricity		800	735
<b>REFUSE REMOVAL</b>			
Domestic/business Refuse removed		12660m <sup>3</sup>	9480m <sup>3</sup>
No of loads removed per annum			0
No of domestic properties serviced			0
No of commercial properties serviced			0
No of domestic properties receiving rebate			
Service contracted out, including disposal			
Garden Refuse Removed		1170m <sup>3</sup>	1350m <sup>3</sup>
<b>BUILDING PLANS PASSED</b>			
Mandini	37	R 11,678,044.00	35 R 7,360,600
Sundumbili	23	R 7,023,728.00	22 R 2,613,540
Tugela/Newark	4	R 280,424.00	5 R 800,000
Tugela Mouth	0	R 0.00	5 R 630,400
Minor Works		Incl in above	Incl in above
<b>OTHER</b>			
Kms Verges cut including Open Spaces, Sportsfields and Municipal Gardens		246584m <sup>3</sup>	3132876m <sup>3</sup>

**EXTRACT FROM THE MINUTES OF COUNCIL SPECIAL MEETING HELD ON THURSDAY, 31 JANUARY 2008 IN THE COMMUNITY HALL OF THE MUNICIPAL OFFICES, 2 KINGFISHER ROAD, MANDENI AT 15:05**

**C 18**

**COUNCIL : 31/01/08**

**ANNUAL REPORT (2006/2007)**

On a proposal by Cllr. BL Magwaza, seconded by Cllr. DM Shandu, it was

**RESOLVED**

THAT the Annual Report for 2006/2007 financial year be adopted.